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 Hawai‘i.

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 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

+ Results summarized below reflect small business trends in Hawai‘i. National results are included in the charts for comparison purposes.
+ In Hawai‘i, there were 236 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 firms surveyed have 1-4 employees (52%) and had 2020 revenues of $500,000 or less (60%).
+ Firms in Hawai‘i tend to be either well-established, with 37% in business for over 21 years, or newer, with 28% in business for five years or less.
+ Hawai‘i has more diversity in the race/ethnicity of its business owners than nationally; 49% of Hawai‘i business owners are White, compared with 83% nationally.

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1 For a full discussion of the survey methodology, see Small Business Credit Survey 2022 Report, page 27.
Firm Performance, Challenges and Expectations

+ 91% of firms in Hawai‘i report that the COVID-19 pandemic is currently having a negative effect on their business.
+ 75% of firms experienced decreases in revenue since 2019, but at the time of the survey in late 2021, the majority (53%) expected revenues to increase in the coming 12 months.
+ The top operational challenges for firms in Hawai‘i were supply-chain issues and reaching customers/growing sales.

Pandemic-related Financial Assistance

+ 89% of Hawai‘i’s firms sought some type of pandemic-related financial assistance in 2021.
+ Among businesses that applied for pandemic-related emergency assistance funding, 64% of firms applied for the federal Paycheck Protection Program (PPP), compared to 90% in the prior year’s survey.
+ 92% of firms that received PPP loans in 2021 expect full forgiveness, whereas only 74% of firms receiving PPP loans expected full forgiveness in 2020.

Financing Needs and Credit Products

+ 76% of firms had some level of debt outstanding at the time of the survey.
+ Of firms who applied for financing in the past 12 months, the most common reason for pursuing financing was to meet operating expenses.
  o 77% of those applicant firms applied for a loan or line of credit.
Surveyed Firm Demographics

Figure 1: Number of firm employees

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4 employees</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>5-9 employees</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>10-19 employees</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>20-49 employees</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>50-499 employees</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

32% of firms in Hawai‘i use contract workers compared to 39% of firms nationally.
Figure 2: Age of firm

- **0-5 years**
  - Hawai‘i: 28%
  - US: 32%

- **6-10 years**
  - Hawai‘i: 13%
  - US: 15%

- **11-15 years**
  - Hawai‘i: 12%
  - US: 13%

- **16-20 years**
  - Hawai‘i: 9%
  - US: 9%

- **21+ years**
  - Hawai‘i: 31%
  - US: 37%

Legend:
- Hawai‘i
- US
Figure 3: Industry

- Leisure and hospitality: 11% in Hawai‘i, 20% in US
- Professional services and real estate: 17% in Hawai‘i, 20% in US
- Retail: 13% in Hawai‘i, 15% in US
- Business support and consumer services: 13% in Hawai‘i, 15% in US
- Non-manufacturing goods production & associated services: 13% in Hawai‘i, 18% in US
- Healthcare and education: 12% in Hawai‘i, 13% in US
- Manufacturing: 4% in Hawai‘i, 8% in US
- Finance and insurance: 2% in Hawai‘i, 6% in US
Figure 4: Total firm revenues in 2020

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - 100,000</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>$100,001 - $500,000</td>
<td></td>
<td>36%</td>
</tr>
<tr>
<td>$500,001 - $1 million</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>More than $1 million</td>
<td>22%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Figure 5: Credit risk of firm

<table>
<thead>
<tr>
<th>Credit Risk</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>65%</td>
<td>69%</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>High</td>
<td>0%</td>
<td>6%</td>
</tr>
</tbody>
</table>
In the national SBCS sample, 86% of employer firms are headquartered in urban areas and 14% are in rural areas.
Figure 8: Gender of owner(s)

Men-owned 61%
Women-owned 27%
Equally owned...

Figure 9: Immigrant ownership

Immigrant owned 16%
Not owned by immigrant 84%
Figure 10: LGBTQ ownership

- LGBTQ-owned 5%
- Not LGBTQ-owned 95%

Figure 11: Veteran ownership

- Owned by veteran 5%
- Not owned by veteran 95%
Firm Performance, Challenges, and Expectations

Figure 12: Financial condition, at time of survey

<table>
<thead>
<tr>
<th>Condition</th>
<th>Hawai’i</th>
<th>US</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>30%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td>48%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>25%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Very good</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>5%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

78% of Hawai’i firms reported being in Poor or Fair financial condition at the time of the 2021 survey, compared with 59% of firms nationally.

Figure 13: Revenue change, since 2019

<table>
<thead>
<tr>
<th>Change</th>
<th>Hawai’i</th>
<th>US</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased</td>
<td>75%</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>No change</td>
<td>10%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Increased</td>
<td>27%</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>
Figure 14: Revenue change, past 12 months

- Decreased: 58% in Hawai‘i, 48% in the US
- No change: 14% in Hawai‘i, 10% in the US
- Increased: 38% in Hawai‘i, 32% in the US

Figure 15: Revenue expectations, next 12 months

- Will decrease: 19% in Hawai‘i, 17% in the US
- Will not change: 25% in Hawai‘i, 28% in the US
- Will increase: 59% in Hawai‘i, 53% in the US
Figure 16: Employment change, since 2019

- Decreased: Hawai‘i 54%, US 43%
- No change: Hawai‘i 35%, US 36%
- Increased: Hawai‘i 11%, US 20%

Figure 17: Employment change, past 12 months

- Decreased: Hawai‘i 41%, US 33%
- No change: Hawai‘i 39%, US 43%
- Increased: Hawai‘i 19%, US 24%
Figure 18: Employment expectations, next 12 months

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will decrease</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Will not change</td>
<td>54%</td>
<td>49%</td>
</tr>
<tr>
<td>Will increase</td>
<td>34%</td>
<td>41%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Effect</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large negative effect</td>
<td>51%</td>
<td>33%</td>
</tr>
<tr>
<td>Moderate negative effect</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>Little to no effect</td>
<td>6%</td>
<td>16%</td>
</tr>
<tr>
<td>Moderate positive effect</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Large positive effect</td>
<td>0%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Figure 20: Operational challenges, past 12 months

- Supply-chain issues: 63% (Hawai’i), 60% (US)
- Reaching customers/growing sales: 63% (Hawai’i), 53% (US)
- Complying with government regulations: 56% (Hawai’i), 40% (US)
- Hiring or retaining qualified staff: 53% (Hawai’i), 60% (US)
- Ensuring health/safety of customers or employees: 48% (Hawai’i), 38% (US)
- Utilizing technology: 29% (Hawai’i), 26% (US)
- Other: 16% (Hawai’i), 8% (US)
- Did not experience any operational challenges: 3% (Hawai’i), 5% (US)

Note: Firms selected all challenges that applied.
Figure 21: Natural disaster-related losses

- No, firm did not sustain losses: 98% (Hawaii), 88% (US)
- Yes, firm did sustain losses: 2% (Hawaii), 12% (US)

Figure 22: Financial challenges, past 12 months

- Paying operating expenses: 77% (Hawaii), 61% (US)
- Uneven cash flow: 74% (Hawaii), 60% (US)
- Weak sales: 71% (Hawaii), 59% (US)
- Credit availability: 29% (Hawaii), 28% (US)
- Other: 17% (Hawaii), 14% (US)
- Did not experience any financial challenges: 6% (Hawaii), 15% (US)

Note: Firms selected all challenges that applied.
Figure 23: Actions firm took to deal with financial challenges, past 12 months

- Obtained funds that do not have to be repaid: 71% (Hawai’i), 86% (US)
- Used cash reserves: 56% (Hawai’i), 66% (US)
- Cut staff, hours, and/or downsized operations: 45% (Hawai’i), 61% (US)
- Used personal funds: 61% (Hawai’i), 60% (US)
- Obtained funds that must be repaid: 59% (Hawai’i), 52% (US)
- Made a late payment or did not pay: 28% (Hawai’i), 37% (US)
- Other: 8% (Hawai’i), 8% (US)
- No action: 2% (Hawai’i), 1% (US)

Note: Firms selected all actions that applied.
Pandemic-Related Financial Assistance

Figure 24: Applications for pandemic-related financial assistance

- Paycheck Protection Program (PPP): 64% in Hawai‘i, 47% in the US
- Economic Injury Disaster Loan (EIDL): 48% in Hawai‘i, 48% in the US
- EIDL advance: 48% in Hawai‘i, 31% in the US
- Grant from state/local government fund: 45% in Hawai‘i, 33% in the US
- Restaurant Revitalization Fund (RRF) Grants: 11% in Hawai‘i, 5% in the US
- Grant from a nonprofit or foundation: 7% in Hawai‘i, 8% in the US
- Loan from state/local government fund: 3% in Hawai‘i, 5% in the US
- Shuttered Venue Operators (SVO) grants: 1% in Hawai‘i, 1% in the US
- Other: 2% in Hawai‘i, 4% in the US
- Did not seek emergency assistance: 23% in Hawai‘i, 11% in the US

Note: Firms selected all sources that applied.

Of firms in Hawai‘i that sought pandemic-related financial assistance, the most common forms sought were PPP and EIDL.
Figure 25: Pandemic-related financial assistance received as share of amount sought (excluding PPP)

<table>
<thead>
<tr>
<th>Category</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>Most (51%-99%)</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Some (1%-50%)</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>None</td>
<td>20%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Figure 26: Where firms applied for PPP

<table>
<thead>
<tr>
<th>Application Type</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large bank</td>
<td>50%</td>
<td>39%</td>
</tr>
<tr>
<td>Small bank</td>
<td>49%</td>
<td>44%</td>
</tr>
<tr>
<td>Credit union</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Online lender</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Firms selected all that applied.
Figure 27: PPP funding received as share of amount sought

- **All (100%)**: 72% Hawai‘i, 67% US
- **Most (51%-99%)**: 17% Hawai‘i, 15% US
- **Some (1%-50%)**: 8% Hawai‘i, 9% US
- **None (0%)**: 3% Hawai‘i, 10% US

Figure 28: Loan forgiveness received on 2020 PPP loans

- **Full**: 88% Hawai‘i, 87% US
- **Partial**: 3% Hawai‘i, 3% US
- **Pending**: 6% Hawai‘i, 6% US
- **None or Unsure**: 2% Hawai‘i, 3% US
Figure 29: Expect loan forgiveness on 2021 PPP loan?

- Yes, full forgiveness: 92% (Hawai‘i), 90% (US)
- Yes, partial forgiveness: 5% (Hawai‘i), 3% (US)
- Unsure: 3% (Hawai‘i), 7% (US)
Financing needs and credit products

Figure 30: Amount of debt outstanding, at time of survey

<table>
<thead>
<tr>
<th>Amount of Debt Outstanding</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Outstanding Debt</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Less than $100,000</td>
<td>23%</td>
<td>34%</td>
</tr>
<tr>
<td>$100,001-$250,000</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>More than $250,000</td>
<td>23%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Figure 31: Share of firms that applied for financing, past 12 months (excludes applications for pandemic-related assistance)

<table>
<thead>
<tr>
<th>Application Status</th>
<th>Hawai‘i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not apply for financing</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Applied for financing</td>
<td>34%</td>
<td>34%</td>
</tr>
</tbody>
</table>

■ Hawai‘i ■ US
Figure 32: Reason firm applied for financing

- Meet operating expenses: 67% (Hawai‘i) 62% (US)
- Refinance or pay down debt: 47% (Hawai‘i) 30% (US)
- Expand business, pursue new opportunity, or acquire business assets: 44% (Hawai‘i) 41% (US)
- Replace capital assets or make repairs: 32% (Hawai‘i) 29% (US)
- Other: 2% (Hawai‘i) 3% (US)

Note: Firms selected all reasons that applied.
Hawai‘i question sample size was less than 100.
Figure 33: Types of financing firm applied for

- **Loan or line of credit**: 77% (Hawaii), 76% (US)
- **Credit card**: 20% (Hawaii), 29% (US)
- **Merchant cash advance**: 8% (Hawaii), 15% (US)
- **Trade credit**: 10% (Hawaii), 9% (US)
- **Lease**: 8% (Hawaii), 8% (US)
- **Factoring**: 5% (Hawaii), 4% (US)
- **Home equity line of credit**: 5% (Hawaii), 5% (US)
- **Equity investment**: 3% (Hawaii), 6% (US)

**Note**: Firms selected all types of financing that applied. Hawaii’s question sample size was less than 100.
Figure 34: Application rate by type of loan or line of credit

- Business loan
- SBA loan
- Line of credit
- Autoequip
- Mortgage
- Personal loan
- Merchant cash advance
- Home equity line of credit
- Other product

Note: Hawai‘i question sample size was less than 100.
Figure 35: Loan or line of credit source

<table>
<thead>
<tr>
<th>Source</th>
<th>Hawai’i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large bank</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td>Small bank</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Online lender</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Finance company</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Credit union</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: Hawai’i question sample size was less than 100.
Figure 36: Total financing firm applied for

<table>
<thead>
<tr>
<th>Category</th>
<th>Hawai’i</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000 or less</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>$25,001-$50,000</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>$50,001-$100,000</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>$100,001-$250,000</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>$250,001-$1M</td>
<td>29%</td>
<td>19%</td>
</tr>
<tr>
<td>More than $1M</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Note: Hawai’i question sample size was less than 100.
Figure 37: Total financing obtained

- None: Hawai`i 29%, US 35%
- Some (1%-50%): Hawai`i 20%, US 24%
- Most (51%-99%): Hawai`i 14%, US 23%
- All: Hawai`i 23%, US 31%

Note: Hawai`i question sample size was less than 100.
Figure 38: Reason firm didn’t apply for financing

- Had sufficient financing: 46% (Hawaii), 46% (US)
- Debt averse: 36% (Hawaii), 26% (US)
- Discouraged (did not think application would be approved): 17% (Hawaii), 14% (US)
- Application process too difficult or confusing: 3% (Hawaii), 6% (US)
- Credit cost too high: 3% (Hawaii), 4% (US)
- Other: 6% (Hawaii), 3% (US)
Figure 39: Use of financial services providers

Note: Firms selected all financial service providers that applied.
Figure 40: Primary financial services provider if use more than one

Large bank

- Hawai‘i: 49%
- US: 48%

Small bank

- Hawai‘i: 41%
- US: 38%

Credit union

- Hawai‘i: 3%
- US: 4%

Financial services company

- Hawai‘i: 3%
- US: 4%

Fintech lender

- Hawai‘i: 3%
- US: 2%

Finance company

- Hawai‘i: 0%
- US: 1%

Other

- Hawai‘i: 1%
- US: 1%

Author
Sarah Simms

Acknowledgement
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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.