Summary of Key Findings

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 Washington.

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 Washington. National results are included in the charts for comparison purposes.
+ In Washington, there were 112 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 have 1-4 employees (56%) and had 2020 revenues of $500,000 or less (63%).
+ The majority of small businesses surveyed are White-owned; 15% of respondent firm owners are Asian, Hispanic, Black, or Native American.

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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

+ The majority of firms (85%) report that the COVID-19 pandemic is currently having a negative effect on their business.
+ 77% of Washington firms have experienced decreases in revenue since 2019, but the majority (58%) expect revenues to increase in the next 12 months.
+ 73% of firms experienced supply-chain issues during the past 12 months; this was the most common operational challenge experienced by respondents.

Pandemic-related Financial Assistance

+ 84% of Washington firms sought some type of pandemic-related financial assistance, compared with 77% of firms nationally.
+ Among firms that applied for pandemic-related emergency assistance funding, the most sought sources were the federal Paycheck Protection Program (PPP), followed by the federal Economic Injury Disaster Loan (EIDL) Program.
+ Of the firms that received PPP funding in 2021, 87% expect full forgiveness. Of the firms that received PPP funding in 2020, 93% received full forgiveness.

Financing Need and Credit Products

+ 72% of firms had some level of debt outstanding at the time of the survey.
+ The percentage of Washington firms that applied for financing (24%) was lower than the percentage of firms that applied for financing nationally (34%).
Surveyed Firm Demographics

Figure 1: Number of firm employees

- **1-4 employees**: 56% (Washington) vs 55% (US)
- **5-9 employees**: 18% (Washington) vs 18% (US)
- **10-19 employees**: 12% (Washington) vs 13% (US)
- **20-49 employees**: 9% (Washington) vs 9% (US)
- **50-499 employees**: 5% (Washington) vs 5% (US)

34% of Washington firms use contract workers compared to 39% of firms nationally.
Figure 2: Age of firm

- 0-2 years: 19% (Washington), 19% (US)
- 3-5 years: 13% (Washington), 16% (US)
- 6-10 years: 15% (Washington), 15% (US)
- 11-15 years: 13% (Washington), 13% (US)
- 16-20 years: 9% (Washington), 9% (US)
- 21+ years: 28% (Washington), 31% (US)
Figure 3: Industry

- Leisure and hospitality: 19% (Washington), 11% (US)
- Professional services and real estate: 20% (Washington), 16% (US)
- Business support and consumer services: 16% (Washington), 15% (US)
- Manufacturing: 16% (Washington), 4% (US)
- Non-manufacturing goods production & associated services: 18% (Washington), 16% (US)
- Retail: 13% (Washington), 9% (US)
- Healthcare and education: 13% (Washington), 7% (US)

The bars represent the percentage of small businesses in each industry sector for Washington and the US.
Figure 4: Total firm revenues in 2020

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Washington</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $100,000</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>$100,001 - $500,000</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>$500,001 - $1 million</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>More than $1 million</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Figure 5: Credit risk of firm

<table>
<thead>
<tr>
<th>Credit Risk</th>
<th>Washington</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>65%</td>
<td>69%</td>
</tr>
<tr>
<td>Medium</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>High</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Note: Washington question sample size was less than 100.
**Figure 6: Geographic location of firm**

- Urban: 87%
- Rural: 13%

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

- White: 85%
- Asian: 7%
- Hispanic: 5%
- Black: 2%
- Native American: 1%
Figure 8: Gender of owner(s)

- Men-owned: 53%
- Equally owned: 24%
- Women-owned: 23%

Figure 9: Immigrant ownership

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

LGBTQ-owned: 8%
Not LGBTQ-owned: 92%

Figure 11: Veteran ownership

Owned by veteran: 10%
Not owned by veteran: 90%
Firm Performance, Challenges, and Expectations

Figure 12: Financial condition, at time of survey

- Poor: Washington 18%, US 21%
- Fair: Washington 39%, US 38%
- Good: Washington 29%, US 25%
- Very good: Washington 9%, US 11%
- Excellent: Washington 5%, US 5%

Figure 13: Revenue change, since 2019

- Decreased: Washington 77%, US 63%
- No change: Washington 2%, US 10%
- Increased: Washington 21%, US 27%

Note: Washington question sample size was less than 100.
Figure 14: Revenue change, past 12 months

- Decreased: 57% (Washington: 48%)
- No change: 8% (Washington: 14%)
- Increased: 35% (Washington: 38%)

Figure 15: Revenue expectations, next 12 months

- Will decrease: 13% (Washington: 17%)
- Will not change: 25% (Washington: 29%)
- Will increase: 58% (Washington: 59%)
Note: Washington question sample size was less than 100.
Figure 18: Employment expectations, next 12 months

- Will decrease: Washington 10%, US 11%
- Will not change: Washington 43%, US 49%
- Will increase: Washington 46%, US 41%

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

- Large negative effect: Washington 44%, US 33%
- Moderate negative effect: Washington 44%, US 41%
- Little to no effect: Washington 12%, US 16%
- Moderate positive effect: Washington 3%, US 6%
- Large positive effect: Washington 0%, US 2%
Figure 20: Operational challenges

- Supply-chain issues: 73% (Washington 60%, US 60%)
- Hiring or retaining qualified staff: 58% (Washington 60%, US 60%)
- Reaching customers/growing sales: 56% (Washington 53%, US 53%)
- Complying with government regulations: 51% (Washington 40%, US 40%)
- Ensuring health/safety of customers or employees: 38% (Washington 38%, US 38%)
- Utilizing technology: 31% (Washington 26%, US 26%)
- Other: 10% (Washington 8%, US 8%)
- Did not experience any operational challenges: 1% (Washington 5%, US 5%)

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

<table>
<thead>
<tr>
<th></th>
<th>Washington</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, firm did not sustain losses</td>
<td>97%</td>
<td>88%</td>
</tr>
<tr>
<td>Yes, firm did sustain losses</td>
<td>3%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Figure 22: Financial challenges, past 12 months

<table>
<thead>
<tr>
<th></th>
<th>Washington</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying operating expenses</td>
<td>69%</td>
<td>61%</td>
</tr>
<tr>
<td>Weak sales</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>Uneven cash flow</td>
<td>65%</td>
<td>60%</td>
</tr>
<tr>
<td>Credit availability</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>Other</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>Did not experience any financial challenges</td>
<td>14%</td>
<td>15%</td>
</tr>
</tbody>
</table>

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
  - Washington: 76%
  - US: 71%
- Used personal funds
  - Washington: 69%
  - US: 61%
- Used cash reserves
  - Washington: 68%
  - US: 56%
- Cut staff, hours, and/or downsized operations
  - Washington: 45%
  - US: 61%
- Obtained funds that must be repaid
  - Washington: 55%
  - US: 52%
- Made a late payment or did not pay
  - Washington: 34%
  - US: 28%
- Other
  - Washington: 7%
  - US: 8%

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

Figure 24: Applications for pandemic-related financial assistance

- Paycheck Protection Program (PPP) - Washington: 57%, US: 47%
- Economic Injury Disaster Loan (EIDL) - Washington: 53%, US: 48%
- Grant from state/local government fund - Washington: 40%, US: 33%
- EIDL advance - Washington: 29%, US: 31%
- Loan from state/local government fund - Washington: 17%, US: 5%
- Grant from a nonprofit or foundation - Washington: 14%, US: 8%
- Restaurant Revitalization Fund (RRF) Grants - Washington: 12%, US: 5%
- Shuttered Venue Operators (SVO) grants - Washington: 4%, US: 1%
- Other - Washington: 7%, US: 4%
- Did not seek emergency assistance - Washington: 16%, US: 23%

Note: Firms selected all that applied.
Figure 25: Pandemic-related financial assistance received as share of amount sought (excluding PPP)

- **All**: Washington - 9%, US - 28%
- **Most (51%-99%)**: Washington - 37%, US - 26%
- **Some (1%-50%)**: Washington - 26%, US - 26%
- **None**: Washington - 21%, US - 20%

Note: Washington question sample size was less than 100.
Figure 26: Where firms applied for PPP

- **Small bank**: 52% (Washington), 44% (US)
- **Large bank**: 36% (Washington), 39% (US)
- **Online lender**: 13% (Washington), 11% (US)
- **Credit union**: 11% (Washington), 11% (US)
- **CDFI**: 5% (Washington), 2% (US)
- **Finance company**: 4% (Washington), 4% (US)
- **Other**: 1% (Washington), 3% (US)

Note: Firms selected all reasons that applied.
Washington question sample size was less than 100.
Figure 27: PPP funding received as share of amount sought

Note: Firms selected all reasons that applied.
Washington question sample size was less than 100.
Figure 28: Loan forgiveness received on 2020 PPP loans

Figure 29: Expect loan forgiveness on 2021 PPP loan?

Note: Washington question sample size was less than 100.
Financing needs and credit products

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

- No Outstanding Debt: 26% (Washington), 28% (US)
- Less than $50,000: 15% (Washington), 22% (US)
- $50,001-$100,000: 12% (Washington), 15% (US)
- $100,001-$250,000: 17% (Washington), 18% (US)
- $250,001-$1 million: 16% (Washington), 13% (US)
- More than $1 million: 7% (Washington), 10% (US)
Figure 31: Share of firms that applied for financing, past 12 months (excludes applications for pandemic-related assistance)

- Did not apply for financing: Washington 76%, US 66%
- Applied for financing: Washington 24%, US 34%

Note: Washington question sample size was less than 100.

Figure 32: Why firm did not apply for financing

- Had sufficient financing: Washington 39%, US 46%
- Debt averse: Washington 32%, US 26%
- Discouraged (did not think application would be approved): Washington 13%, US 14%
- Application process too difficult or confusing: Washington 7%, US 6%
- Credit cost high: Washington 3%, US 4%
- Other: Washington 6%, US 3%

Note: Washington question sample size was less than 100.
Figure 33: Use of financial services providers

- Large bank: Washington 54%, US 56%
- Small bank: Washington 40%, US 47%
- Business financial services company: Washington 29%, US 27%
- Credit union: Washington 18%, US 13%
- Online lender: Washington 14%, US 10%
- Finance company: Washington 8%, US 8%
- Alternative financial source: Washington 6%, US 3%
- CDFI: Washington 5%, US 2%
- Other: Washington 4%, US 4%
- Business does not use financial services: Washington 3%, US 2%

Note: Firms selected all financial services providers that it used.
Figure 34: Primary financial services provider if use more than one

- **Large bank**: 46% Washington, 48% US
- **Small bank**: 38% Washington, 38% US
- **Credit union**: 5% Washington, 4% US
- **CDFI**: 4% Washington, 0% US
- **Financial services company**: 4% Washington, 4% US
- **Alternative financial source**: 2% Washington, 1% US
- **Fintech lender**: 2% Washington, 2% US

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