



Survey: Small businesses optimistic about the future, despite concerns about inflation and barriers to capital

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Executive Summary

Entrepreneurs continue to navigate a number of challenges operating their businesses, more than two years since the COVID-19 pandemic started. Small Business Majority and Start Small Think Big surveyed small business owners and managers in their networks to understand their current business conditions, how business owners are faring amid rising inflation, and what they need to maintain and grow their businesses over the next six months to a year.

The survey revealed that an overwhelming majority of small business owners are impacted by inflation (89%), closely followed by challenges in obtaining capital (75%) and disruptions to their supply chain (60%). Additionally, more than 7 in 10 minority-owned businesses (73%) are struggling to access benefits such as healthcare compared to their white counterparts (61%). **Despite these challenges, more than 6 in 10 small business owners are optimistic about their business prospects for the next six months.**

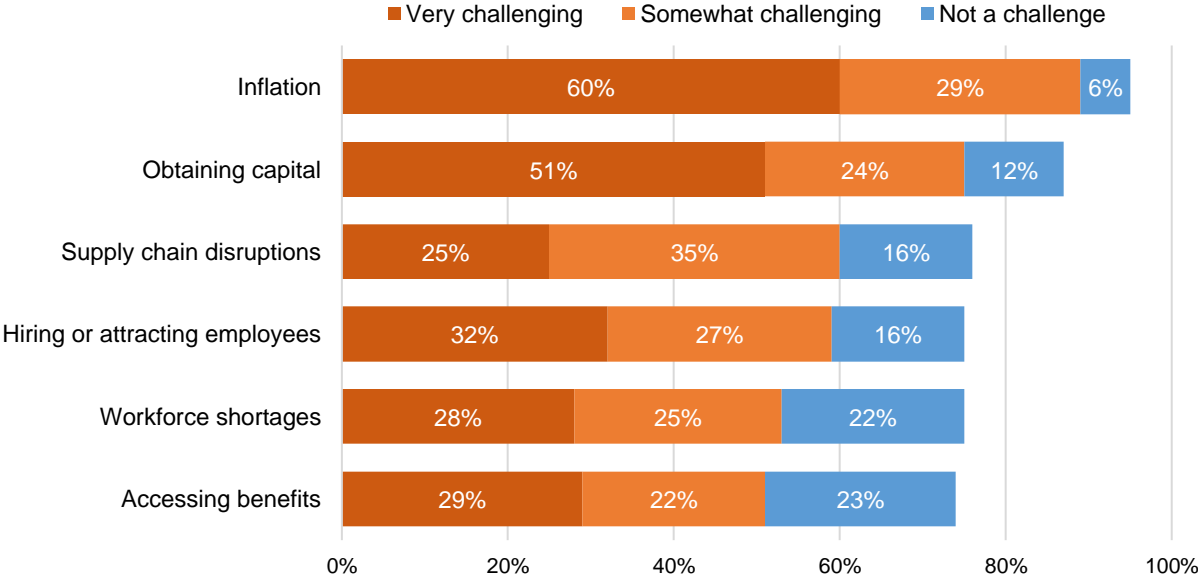
While federal relief programs expired or began to wind down, small business owners evaluated their access to capital. Nearly half of small business owners (46%) report that they obtained funding relief through the Paycheck Protection Program (PPP), and 39% report they received funding from the Economic Injury Disaster Loan (EIDL) program. However, the survey also found that a quarter of respondents (26%) obtained no capital since the pandemic started.

To keep their businesses afloat, entrepreneurs had to quickly adapt their operations to implement digital tools. While a majority (83%) of respondents already had a website pre-pandemic, half of those who didn't, created one during the pandemic. Only 27% of respondents felt they had a robust social media presence pre-pandemic, and this percentage increased by 35% during the pandemic.

When thinking about new strategies to combat workforce issues in the coming year, nearly half of small business owners (49%) report hiring additional staff, and half of the respondents (50%) say they plan to enter new markets or leverage new distribution channels. However, more than 6 in 10 (68%) respondents report problems in finding quality candidates in the current competitive labor market.

Even after the federal eviction moratorium ended and rent relief programs expired, small business owners are still overcoming challenges in paying their commercial rent or mortgage. Nearly half (47%) of small businesses report they are current on their rent payments, while 18% of respondents are one to more than three months behind.

Challenges small business owners are facing while recovering from the pandemic



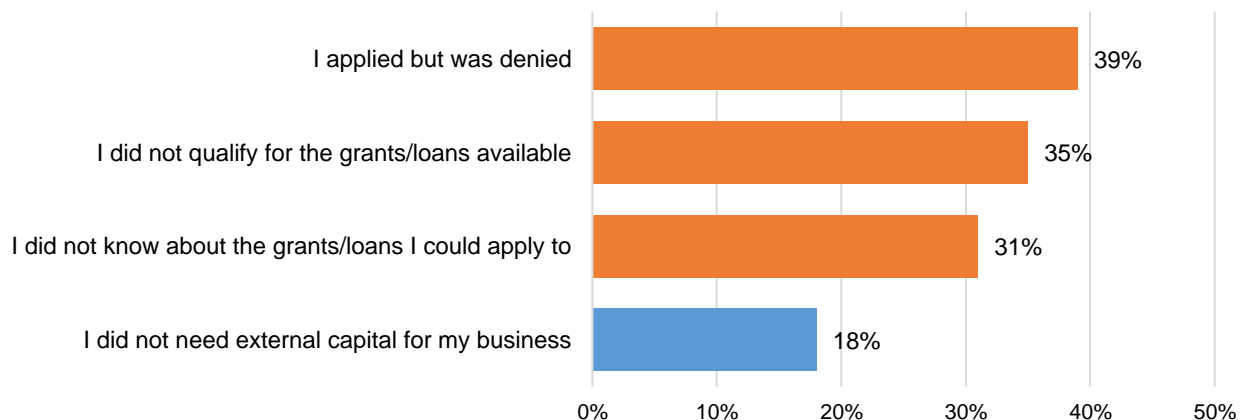
Barriers to capital

Federal relief programs have expired, which has left many small businesses strapped for capital and at a disadvantage in weathering the next economic crisis.

The survey reveals that when the pandemic started, small business owners moved quickly to access critical capital to sustain their businesses, and they could do so in several ways. Nearly half of small business owners (46%) report that they obtained funding relief through the Paycheck Protection Program (PPP), and 39% report they received funding from the Economic Injury Disaster Loan (EIDL) program. A quarter of respondents (23%) reported receiving a state or local government grant, while another 23% received grant funding from a non-government source.

Despite the availability of federal relief programs, national and state grants, and other funding programs, the survey reveals that **a quarter of respondents (26%) obtained no capital since the pandemic started**. Among the reasons why those small business owners did not get capital are lacking awareness about the funding programs available (31%), being unable to fit the eligibility criteria (35%) or being denied (39%). Only 18% of respondents reported they did not need capital. Additionally, minority-owned firms (41%) were more likely to respond that they did not qualify for funding programs compared to 25% of their white counterparts. The survey also revealed that minority-owned firms were more likely to be denied capital (42%) than their white counterparts (35%) since the pandemic started.

Top reasons for not obtaining capital since the start of the pandemic



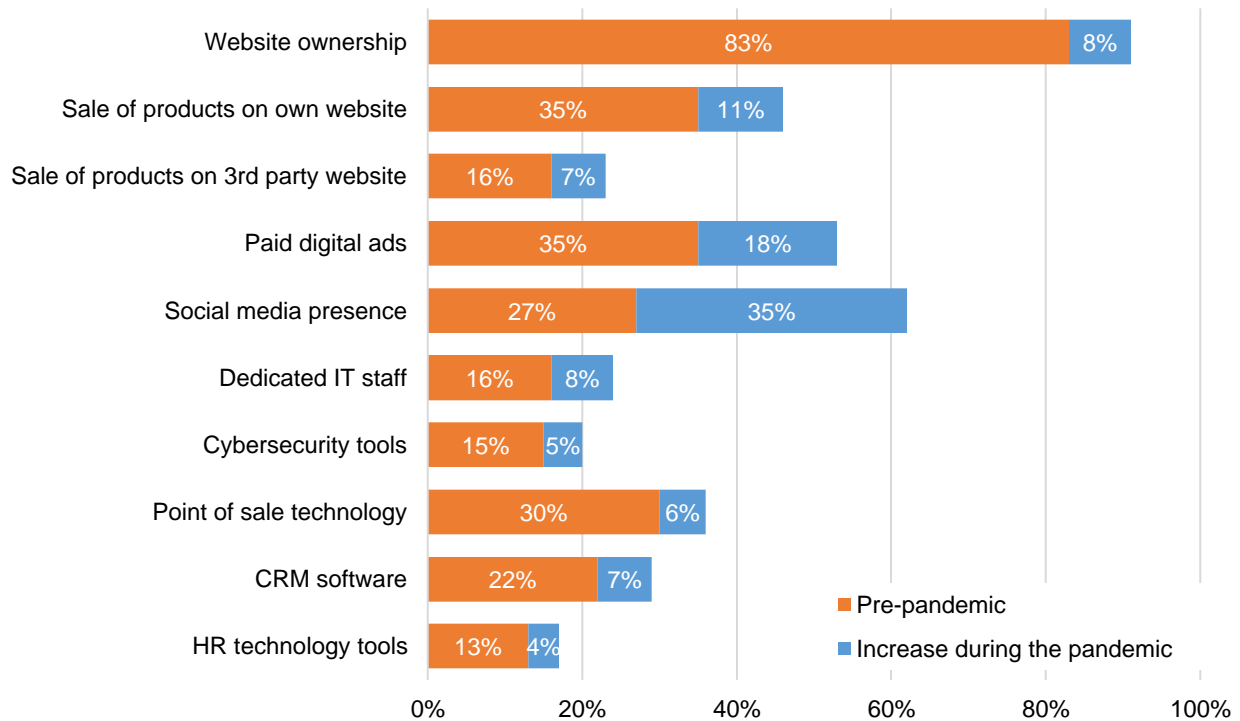
Digital transformation

The COVID-19 pandemic has accelerated the digital transformation of how small businesses find, sell, and connect with their customers. The survey revealed that more than 3 in 10 small businesses (36%) plan to implement new digital tools or a significant technology overhaul in the coming year.

We also asked small business owners about the use of various digital tools before and during the pandemic. The survey revealed that **a vast majority of small businesses (83%) owned a website before the pandemic**. A third (35%) of respondents paid for digital advertising, while another third (35%) offered their services and products on their websites. The survey revealed an increase in the use of all digital tools during the pandemic.

Nearly 4 in 10 (36%) of all respondents used financial accounting technology/platforms before the pandemic. However, 75% of minority entrepreneurs did not have this technology in place compared to 44% of white business owners.

How use of digital tools and platforms increased during the pandemic

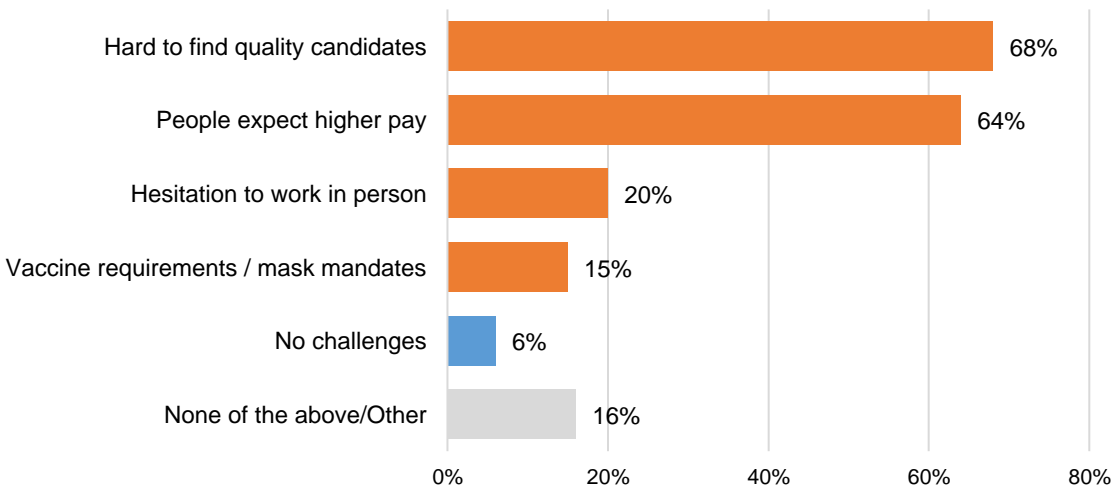


Note: this graphic shows respondents who answered both before and during the pandemic questions

Workforce challenges

In addition to facing access to capital challenges, smaller firms are navigating a competitive job market and having difficulty recruiting and retaining quality talent. The survey revealed that while nearly half of respondents (49%) are currently hiring or plan to hire in the next year, hiring challenges are prevalent. Almost 7 in 10 (68%) small business owners report that it's hard to find quality workers, and 64% say that workers expect higher wages. Given the low profit margins in the last two years, which have been exacerbated by inflation risks, increasing employee wages may not be possible for most small businesses. Of those who report they don't plan to hire employees, more than half (57%) say that they can't afford to.

Challenges small business owners are facing when hiring new employees



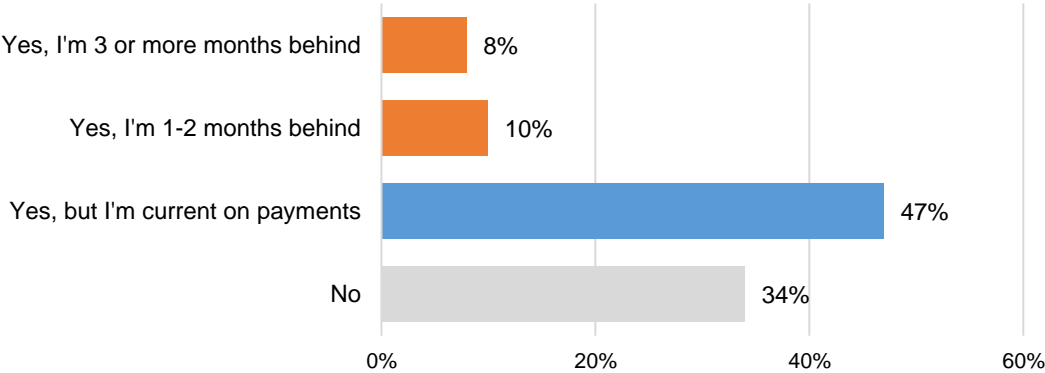
To respond to these challenges in retaining and attracting employees, more than half of the respondents are increasing employee wages (61%), more than a third (38%) are hiring from within their local communities, and another 36% are creating more part-time positions. Black business owners were more likely to hire from their local communities (42%) compared to their white counterparts (37%).

Commercial rent and mortgage payments

Smaller firms have historically faced challenges with paying their commercial rent and mortgage. However, this survey revealed that despite past challenges, 47% of respondents who rent or own a commercial space are current on their payments.

Of those with commercial space, 10% say they are one or more months behind on their rent or mortgage obligations, while 8% are three or more months behind. Nearly 6 in 10 (57%) small business owners stayed in the same commercial space over the past 12 months, while 14% acquired a new space and only 11% relocated during the same period. Additionally, nearly half of respondents (48%) who are behind on their rent were threatened with eviction from their landlord or mortgage lender. It's also important to note that Black small business owners were less likely to own or rent commercial space for their businesses (29%) compared to other business owners (55% of white business owners, 48% of Asian business owners, and 42% of Hispanic business owners).

Small business owners are facing some challenges making commercial rent or mortgage payments



Methodology

The survey reflects the opinions of 676 small business owners and managers from Small Business Majority and Start Small Think Big's networks between June 20 through August 21, 2022. The margin of error is +/- 3%. Less than a quarter (17%) of respondents are self-employed and the majority of respondents (70%) are owners of businesses with 10 or fewer employees. The sample also consists of a large portion of women-owned businesses (69%) and minority-owned businesses (72%). Black business owners were less likely to have annual revenues of over \$100,000 (23%) when compared to their white counterparts (50%). Black respondents (63%) were more likely to report an annual revenue of less than \$25,000 than respondents of other racial demographics. Additionally, Black business owners reported having fewer than 10 employees more consistently than other racial demographics.

Download the full topline from our website:

<https://smallbusinessmajority.org/our-research/small-businesses-optimistic-about-future-despite-concerns-about-inflation-and-barriers-to-capital>

About Small Business Majority

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities. Visit smallbusinessmajority.org to learn more.

About Start Small Think Big

Start Small Think Big is a nonprofit that helps small businesses with high potential and limited access to the resources needed to create thriving businesses. They connect small business owners to their network of professionals who provide legal, finance, and marketing expertise for free. Small business owners, partners, and volunteers are united in their determination to make a difference — one far greater than they could alone. When you support a small business, you support a dream. Visit startsmallthinkbig.org to learn more.