

Survey: Business conditions improving for some small businesses, but 1 in 4 still facing closure in the next three months

Across the country, more Americans are being vaccinated every day and many are ready and eager to “get back to normal.” At the same time, consumer demand is still down as parts of the country grapple with a new wave of COVID-19 cases and continued public health orders, and nearly 10 million Americans remain out of work. A new survey of Small Business Majority’s network sheds light on the current economic climate, revealing that while business conditions are starting to improve for some small businesses, a significant number are still facing setbacks that may force them to close for good in the next few months.

Specifically, the survey finds that 36% of small businesses say conditions are somewhat improving for their businesses compared to one month ago, and 5% say they are greatly improving. Women were less likely than men to report a decline in business conditions (20% compared to 33%, respectively).

However, 1 in 4 (25%) small business owners say they may not survive the next three months without additional funding or other market changes, and the same percentage report business conditions are somewhat or greatly declining compared to one month ago. Notably, the survey finds that Black-owned small businesses continue to experience disproportionate setbacks, with **35% of Black entrepreneurs reporting that business conditions are worsening, and 37% say they may not survive the next three months.**

Additionally, 11% of small business owners report their business is temporarily closed. More Latino (15%) and Black (13%) entrepreneurs say their business is temporarily closed, compared to white business owners (6%).

The survey also explores how self-employed entrepreneurs have been served by the federal Paycheck Protection Program (PPP). Nearly half (48%) did not apply for PPP last year. Of those who did apply, 36% did not receive a loan. White self-employed business owners were more likely to have applied for PPP last year (57%) compared to Black business owners (48%) and Latino business owners (36%).

In late February, the White House announced new rules concerning self-employed individuals, sole proprietors and independent contractors, allowing them to calculate their loan amount based on their gross revenue, rather than their net profit, on their Schedule C. However, roughly 1 in 3 small business owners in Small Business Majority’s network were unaware of this change to make PPP eligibility more generous for solo business owners and independent contractors.

When asked about how the new PPP rule changes may impact their business, 1 in 3 (34%) said they have applied for PPP using the new calculation. Meanwhile, nearly 1 in 5 (18%) reported they applied under the old rules and are not eligible to reapply, and 25% said they need more time to apply under these new rules now that they are aware of them. Four percent said they have a pending PPP application and are trying to change their application or have changed it to take advantage of the new calculation. **Sixty-eight percent support allowing those who applied previously based on their net profit to retroactively reapply based on their gross income.**

This survey shows that small business owners are facing a long road to recovery, and optimism about economies reopening is not translating into improved business conditions for many entrepreneurs. If Congress does not keep small business front and center in its policymaking, we will see even more businesses close their doors for good in the weeks to come.

This is the seventh in a series of COVID-19 related surveys Small Business Majority has released of its network. Over time Small Business Majority has tracked the economic conditions facing small businesses, how well federal stimulus programs have served its network, the small business owners' views of proposed stimulus provisions, and other issues of importance.

Methodology

This survey reflects the opinions of 533 small businesses from Small Business Majority’s network between March 26 to April 13, 2021. Most respondents own very small businesses with fewer than 10 employees (46%) or are self-employed (26%). Forty-seven percent are owned by people of color and nearly two-thirds are women.

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1. Race

African or African American	25%
Asian, Asian American or Pacific Islander.....	6%
Latinx, Hispanic or Spanish Origin	11%
Middle Eastern or North African	1%
Native American or Alaska Native	1%
Prefer not to answer.....	9%
Some other race, ethnicity or origin	3%
White or Caucasian.....	44%

2. Gender

Female	64%
Male	33%
Prefer not to say	3%

3. What is your industry?

Agriculture and Mining	1%
Consulting and Business Services.....	11%
Education and Youth Services	6%
Energy and Utilities	1%
Engineering.....	1%
Food and Beverage.....	8%
Healthcare, Pharmaceuticals and Biotech	5%
Insurance and Financial Services	3%
Manufacturing	4%
Media and Entertainment.....	4%
Nonprofit	2%
Other	14%
Real Estate and Construction	6%
Retail.....	12%
Service and Consumer Services	10%
Technology, Computers and Electronics	1%
Transportation and Storage.....	3%
Travel, Recreation and Leisure	4%
Wholesale and Distributors	2%

- 4. How many people work for your business, including yourself?**
- Self-Employed.....26%
 - Small Business, fewer than 10 employees.....46%
 - Small Business, 10-24 employees14%
 - Small Business, 25-49 employees3%
 - Small Business, 50-100 employees.....2%
 - Don't know/refused9%
- 5. Did you apply for a Paycheck Protection Program loan last year (asked of self-employed business owners)?**
- Yes.....52%
 - No48%
- 6. Did you receive a Paycheck Protection Program loan last year (asked of those self-employed business owners who applied)?**
- Yes.....64%
 - No36%
- 7. There are new rules for PPP affecting self-employed individuals, sole proprietors and individual contractors. These rules allow self-employed, contractors and sole proprietors to calculate their loan amount based on their gross revenue, rather than net profit, on their Schedule C. Were you aware of this rule change?**
- Yes.....68%
 - No32%
- 8. Did you apply for a PPP loan this year, either for the first or second time? (asked of all business owners)**
- Yes.....23%
 - No77%
- 9. With these rule changes, please choose which below most closely matches your situation**
- I already received PPP under the old rules, and can't reapply.....18%
 - I have a pending application for PPP under the old rules, but have changed it or am trying to change it.....4%
 - I have applied for a PPP using the news rules34%
 - I need more time to apply for PPP under these new rules now that I know about them25%
 - My application is still pending with the SBA1%
 - My application was denied1%
 - My business is organized in such a way that I don't qualify under these new rules16%
- 10. Are you still operating your business?**
- No, my business is closed permanently0%
 - No, my business is closed temporarily.....11%
 - Yes, my business is operating89%

11. Without additional funding or other market changes, how much longer do you think you can stay in business?

Less than 1 month.....	5%
1 to 3 months.....	20%
4 to 6 months.....	16%
6 months to a year	13%
I don't know.....	20%
I will survive through the pandemic	25%

12. Compared to a month ago, would you say conditions for your business are improving or declining?

Greatly declining.....	10%
Somewhat declining.....	15%
Neither improving nor declining	29%
Somewhat improving.....	36%
Greatly improving.....	5%
Not sure	5%

13. Would you support or oppose allowing self-employed individuals who received a PPP loan based on their net profit to retroactively reapply based on their gross income?

Strongly support	55%
Somewhat support.....	13%
Somewhat opposed.....	3%
Strongly opposed	3%
Don't know.....	18%
Neither support nor oppose.....	9%
Total support	68%
Total oppose.....	6%