

Survey: 3 in 10 small businesses won't survive past the next three months, need immediate grant assistance

As Congress advances the American Rescue Plan, a \$1.9 trillion stimulus relief package intended to combat the ongoing COVID-19 public health and economic crisis, Small Business Majority's new survey reveals the current state of small business and how they've been served by previous stimulus programs.

Importantly, the survey finds that without additional funding, **3 in 10 small businesses will not survive past the next three months**. The number is even higher for small business owners of color: 36% of Black and Latino-owned businesses report they can't survive beyond three months.

The survey also explores how many small businesses accessed the Paycheck Protection Program (PPP) during the first rounds of funding. The bottom line is that, while **PPP has been helpful to some small businesses, it is still leaving many in under-resourced communities behind**. The survey found more than 3 in 4 (76%) have applied for PPP, but more than 1 in 3 of those (36%) did not receive the full loan amount they requested—including nearly all of the Black self-employed entrepreneurs we surveyed. Of those who did not apply for PPP, more than half (55%) say they did not do so because they were ineligible or they were told they were ineligible for the program. Twenty-two percent did not have the information needed to apply and 13% were concerned the loan would not be forgiven. Only 8% report they did not apply because they didn't need the funds.

When asked about their experiences with PPP, small businesses report the following:

- Half (49%) say the amount of PPP they qualified for was low because their business doesn't have a lot of employees or because of how their business is organized.
- One in 3 say the process of applying for PPP was challenging due to the calculations and paperwork involved.
- One in 5 did not qualify because their business was too new or they didn't have enough employees.
- Twenty-three percent say finding a lender willing to accept their application was challenging.
- Eleven percent struggled to spend at least 60% of funds on payroll to qualify for full forgiveness.
- Roughly 1 in 10 (9%) were told there were issues with their credit when they applied, even though credit requirements were waived for the program.

Three in 10 say PPP was helpful, but less restrictive capital is needed to support their businesses and 15% say PPP was not helpful for their business. Given these numbers, it's clear that small businesses need more flexible assistance, and **most respondents (91%) say Congress should pass legislation to provide direct grants to small businesses**.

While many small businesses have applied for the Economic Injury Disaster Loan program (EIDL) and some have received the advance grant, these funds likely did not scratch the surface of what small businesses need to survive the crisis. Three in 4 small businesses (76%) have applied for EIDL, and 61% of those who applied have received the EIDL advance grant. Only 1 in 3 (34%) of those who have received the grant were allocated the full \$10,000 available. More than half received \$5,000 or less, and **nearly 1 in 4 (23%) received just \$1,000**.

Small businesses desperately need more financial relief, but the stimulus package faces challenges due to a measure to raise the federal minimum wage. While this has become a hot button issue, it may not be as controversial within the small business community as some claim: **62% of respondents say they support raising the federal minimum wage to \$15 over five years**, with 44% strongly supporting the proposal.

What policymakers must focus on is the alarming rate of closures that small businesses continue to face nearly a year into this crisis. While PPP and EIDL have helped some who had the resources to apply, it's clear that small business owners need help in the form of direct grants in order to sustain their businesses, and they need it quickly.

This is the sixth 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

Survey of 655 small businesses from Small Business Majority’s network between February 5 to February 22, 2021. Most respondents own very small businesses with fewer than 10 employees (53%) or are self-employed (24%). Forty-three percent are owned by people of color.

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1. What is your race?

- African or African American 25
- Asian, Asian American or Pacific Islander..... 6
- Latinx, Hispanic or Spanish Origin 12
- Middle Eastern or North African 0
- Native American or Alaska Native 0
- Prefer not to answer..... 6
- Some other race, ethnicity or origin 3
- White or Caucasian..... 48

2. What is your gender?

- Female 61
- Male 38
- Prefer to self-identify 1

3. What is your industry?

- Agriculture and Mining 1
- Consulting and Business Services..... 12
- Education and Youth Services 6
- Energy and Utilities 0
- Engineering..... 1
- Food and Beverage..... 10
- Healthcare, Pharmaceuticals and Biotech 7
- Insurance and Financial Services 3
- Manufacturing 3
- Media and Entertainment..... 3
- Nonprofit 2
- Other..... 11
- Real Estate and Construction 8
- Retail..... 11
- Service and Consumer Services 10
- Technology, Computers and Electronics 2
- Telecommunications..... 0

Transportation and Storage.....	2
Travel, Recreation and Leisure.....	5
Wholesale and Distributors	2
4. How many people work for your business, including yourself?	
Self-Employed.....	24
Fewer than 10 employees.....	53
10-24 employees	15
25-49 employees	5
50-100 employees.....	2
More than 100 employees.....	1
5. Did you apply for a PPP loan in the first round of stimulus last year?	
No	24
Yes.....	76
6. What was the main reason you did not apply?	
I did not need the funds.....	8
I didn't have the information needed to apply.....	22
I was concerned that the loan might not be forgiven.....	13
I was not or was told I was not eligible	55
7. Did you receive the full amount of PPP that you applied for?	
Yes.....	64
No	36
8. Among the following, indicate which comes closest to your experience	
The PPP program was helpful, but less restrictive capital is needed to sustain my business	30
The PPP was a lifeline for my business	34
The PPP was not helpful for my business	15
None of the above	21
9. Do you agree or disagree with the following: Congress should pass a bill to provide direct grants to small businesses	
Yes.....	91
No	1
Not sure	8
10. For each of the following, indicate whether it applies to you	
I did not qualify for PPP because my business was too new or I did not have enough employees	20
I struggled to spend at least 60% of PPP funds on payroll to be eligible for full forgiveness	11
The amount of PPP I qualified for was low because I don't have a lot of employees or because of how my business is organized.....	49
The process of finding a lender to provide me with PPP was challenging	23
The process of applying for PPP was challenging due to the calculations and paperwork involved	33
I was told there were issues with my credit when I applied for PPP.....	9

11. Did you apply for an Economic Injury Disaster Loan?	
Yes.....	76
No	23
12. Did you receive an Economic Injury Disaster Loan? (of those who applied)	
Yes.....	70
No	30
13. Did you receive an EIDL Advance? (of those who applied)	
Yes.....	61
No	39
14. How much was the EIDL Advance for?	
\$1,000.....	23
\$2,000	12
\$3,000	7
\$4,000	5
\$5,000	4
\$6,000	5
\$7,000	7
\$8,000.....	2
\$9,000	0
\$10,000	34
15. Without additional funding, how much longer do you think you can stay in business?	
Less than 1 month.....	6
1 to 3 months.....	24
4 to 6 months.....	19
6 months to a year	11
I don't know.....	19
I will survive through the pandemic	21
I already have closed my business permanently	0
16. Do you support or oppose raising the minimum wage to \$15 an hour over five years?	
Strongly support	44
Somewhat support.....	18
Strongly oppose	21
Somewhat oppose	9
I don't know.....	8