Small Business Majority Survey: Small business owners worried about PPP loan forgiveness

Small Business Majority surveyed its national network of small business owners to better understand who has benefited from the Paycheck Protection Program (PPP) created by the CARES Act, and to shed a light on their concerns with the program. The survey reveals a strong majority of small businesses have applied for a PPP loan, but most are worried about having the loan forgiven.

Nearly 7 in 10 (69%) small businesses have applied for a PPP loan and nearly 73% say they received a loan. Nearly 1 in 4 who received a loan (23%) did not receive the full amount they requested. Sixty-three percent of black and Latino small business owners applied for a PPP loan, with 63% of those being approved for financing; however, nearly 3 in 10 of successful applicants did not receive the full amount they applied for.

Of all respondents who did not apply for PPP, nearly 3 in 10 responded that they did not seek financing because they were concerned the loan would not be forgiven, 19% said they were told or believed they would not qualify, and 12% could not find a bank to apply for a PPP loan.

Many of those who secured a loan expressed concerns with the program. Nearly 6 in 10 (58%) reported it’s a challenge to spend at least 75% of the loan on payroll. Notably, more than 8 in 10 are concerned about the rules around loan forgiveness and having their loan forgiven. An additional 80% said it is important that the eight-week deadline to spend the PPP proceeds be extended. A plurality of 44% reported that once their PPP funds run dry, they are likely to lay off employees again, while 1 in 5 aren’t sure if they’ll need to reduce their staff once they’re out of funds.

Methodology:
Survey of 374 small businesses from Small Business Majority’s network between May 22 to May 27, 2020. Most respondents own very small businesses with fewer than 20 employees (more than 88%).

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Business size

<table>
<thead>
<tr>
<th>Business size</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>35.6%</td>
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<tr>
<td>2-5 employees</td>
<td>32.1%</td>
</tr>
<tr>
<td>6-9 employees</td>
<td>11.2%</td>
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<tr>
<td>10-19 employees</td>
<td>9.9%</td>
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<tr>
<td>20-49 employees</td>
<td>6.7%</td>
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<tr>
<td>50-99 employees</td>
<td>3.5%</td>
</tr>
<tr>
<td>&gt;100 employees</td>
<td>0.3%</td>
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Demographics

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Asian or Asian American</td>
<td>4.5%</td>
</tr>
<tr>
<td>Black, African or African American</td>
<td>21.4%</td>
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<tr>
<td>Hispanic, Latinx, or Spanish Origin</td>
<td>10.4%</td>
</tr>
<tr>
<td>Middle Eastern</td>
<td>0.3%</td>
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<tr>
<td>Native American or Alaska Native</td>
<td>0.3%</td>
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</table>
White or Caucasian ................................................................. 51.6%
Some other race, ethnicity or origin ....................................... 1.3%
Decline .................................................................................. 10.2%

Gender
Female ................................................................................... 67.1%
Male ...................................................................................... 31.3%
Prefer to self-identify .............................................................. 0.8%
Decline .................................................................................... 0.8%

Did you apply for a Paycheck Protection Program (PPP) loan?
Yes ........................................................................................ 69%
No .......................................................................................... 31%

Did you receive a PPP loan? (of those who applied, n=256)
Yes ......................................................................................... 72.7%
No .......................................................................................... 27.3%

Do you need this money to stay in business? (of those applied but had not received, n=63)
Yes ........................................................................................ 81%
No .......................................................................................... 19%

Why have you not applied for a PPP loan? (of those who didn’t apply, n=115)
I didn’t need the loan ............................................................... 13.0%
I couldn’t find a bank to apply to .............................................. 12.2%
I was concerned I wouldn’t get the loan forgiven .................... 28.7%
I was told/believe I don’t qualify .............................................. 19.1%
I sought other funding ............................................................ 2.6%
Other ....................................................................................... 24.3%

From where did you obtain your loan? (of those who applied and were approved, n=186)
Community bank or credit union ........................................... 40.3%
Large or regional bank ............................................................ 40.3%
CDFI ....................................................................................... 3.2%
Online lender ........................................................................ 9.2%
Other ...................................................................................... 6.5%

Did you receive the full amount of funding you applied for? (n=186)
Yes ........................................................................................ 76.9%
No .......................................................................................... 23.1%
How much of a challenge is it to spend 75% of your PPP funding on payroll expenses? (n=186)

- A major challenge ................................................................. 33.9%
- A minor challenge ................................................................. 24.7%
- Not a challenge at all ............................................................ 38.2%
- Don’t know/refused ............................................................. 3.2%

Once your PPP funding runs out, how likely are you to have to lay off employees again? (n=186)

- Very likely .................................................................................. 26.6%
- Somewhat likely ........................................................................ 18.09%
- Somewhat unlikely .................................................................... 12.77%
- Very unlikely ............................................................................... 22.34%
- Don’t know/refused .................................................................. 20.21%

How concerned are you about the rules around loan forgiveness and having your PPP loan forgiven? (n=186)

- Very concerned ......................................................................... 41.4%
- Somewhat concerned ............................................................... 39.2%
- Not concerned at all ................................................................. 14.5%
- Don’t know/refused ................................................................. 4.9%

The PPP rules state that you must spend the money over the next 8 weeks. How important is it that that deadline be extended? (n=186)

- Very important ........................................................................... 53.8%
- Somewhat important ............................................................... 26.3%
- Not important ........................................................................... 12.4%
- Don’t know/refused ................................................................. 7.5%

Crosstab results from black and Latinx entrepreneurs (n=120)

Did you apply for a Paycheck Protection Program (PPP) loan?

- Applied ..................................................................................... 64.1%
- Did not apply ........................................................................... 35.8%

Did you receive a PPP loan? (of those who applied n=77)

- Yes ......................................................................................... 63.6%
- No ......................................................................................... 35.4%

Did you receive the full amount of funding you applied for? (of those who received a loan n=49)

- Yes ......................................................................................... 71.4%
- No ......................................................................................... 28.6%