



## The State of Small Business

business customers pandemic

**Summary:** Small businesses account for about 50% of US GDP. Today, we review the state of small business during this crisis.

Starbucks opened 85% of its stores last week, with new protocols like online orders, pick-up, and drive-through only. If you have been longing for a Grande cup of caffeine these past weeks, hopefully, you have now satisfied your craving. While Starbucks isn't a small business, it looks like businesses are starting to open up again. So, today we report on the state of the small business.

It is definitely a difficult time to own one of the 31mm small businesses in the US. While ordinarily, these firms provide about half of the nation's gross domestic product, during the coronavirus pandemic, these firms are struggling to survive.

The first round of government assistance for small firms had its challenges -- from the SBA system getting overloaded to financial institutions looking for answers to all their customers' questions. Despite these hurdles, community financial institutions (CFIs) jumped in to assist their customers, with 60% of the first round of PPP loans approved by institutions with \$10B or less in assets.

Still, not all businesses were lucky enough to get approved. According to [a survey done by the National Federation of Independent Businesses](#), around 75% of its small business owner members (210,000) submitted an application for PPP loans, and about 40% filed for EIDL assistance. Twenty percent of those that applied were approved for their PPP loan and had the funds deposited in their account, and around 10% said they received EIDL funds.

Those low approval numbers indicate that the [small business struggle continues](#). A CNBC/Survey Monkey survey found that 31% of small businesses can operate for perhaps a few months. 7% can survive for less than a month and 6% have less than a week's financial cushion.

The difficulties don't end there though. Three-quarters of PPP money has to be used to fund payroll. In many cities, the remaining 25% isn't enough to cover rent, utilities, and the other costs of running a business. In fact, according to the Federal Emergency Management Agency, 40-60% of small businesses don't reopen after a disaster.

To add to small business woes, to qualify for loan forgiveness, business borrowers need to bring back employees within eight weeks after receiving funds. In coronavirus hot spots, it's not at all clear that all businesses will be able to reopen within that time.

The second round of financial help appears to have reached more businesses in need, with 2.2mm loans for over \$175B and an average loan size of \$79,000. The key now is for these businesses to reopen safely and successfully bring back customers. But, that may be easier said than done. Another [small business survey](#) finds that 62% of respondents report that demand has declined in the last two months. Not only that, 72% of small business owners believe that the coronavirus will have lasting effects on business practices.

The recovery will take some time, but hopefully not too much time. Regardless, we know that CFIs are doing all they can to help their business customers in need. We are all in this together.

## **<B>WEBINAR:</B> COVID-19 AND YOUR LOAN PORTFOLIO**

The current crisis and uncertain times ahead mean needing a different approach to managing your loan portfolio. [Join us](#) on Thursday, May 14th at 9 a.m. PT, as we discuss how to incorporate the impact of COVID-19 into your loan management process.

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