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2025 REPORT ON EMPLOYER FIRMS:

Findings from the 2024 Small Business Credit Survey

FEDERAL RESERVE BANKS *of*

Atlanta • Boston • Chicago • Cleveland • Dallas • Kansas City • Minneapolis
New York • Philadelphia • Richmond • St. Louis • San Francisco

ACKNOWLEDGMENTS

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The Small Business Credit Survey is made possible through collaboration with business and civic organizations in communities across the United States. The Federal Reserve Banks thank the national, regional, and community partners who share valuable insights about small business financing needs and collaborate with us to distribute and promote the survey.[2]

Special thanks to colleagues within the Federal Reserve System, especially the community affairs officers, for their ongoing support for the SBCS. The 2024 SBCS is the result of the collaborative effort and input of the following individuals in the Federal Reserve System:

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2 *For a full list of partner organizations, please visit www.fedsmallbusiness.org/partnerships/partner-organizations.*

TABLE OF CONTENTS

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EXECUTIVE SUMMARY

INTRODUCTION

The Small Business Credit Survey (SBCS) is a collaboration of all 12 Federal Reserve Banks and provides timely information about small business conditions to policymakers and service providers. The 2024 survey was fielded from September to November 2024 and reached more than 7,600 small employer firms, collecting information about the performance, challenges, and credit-seeking experiences of businesses across the United States.

The 2024 survey finds that many metrics remained stable year over year. Expectations for future revenue and employment growth, recent applications for credit, and the outcomes of those applications mostly held steady. Rising costs of goods, services, and/or wages—the most commonly cited financial challenge in the past three surveys—was again the most prevalent issue.

The 2024 survey data suggest a decline in small business revenue growth in the past year. For the first time since the 2021 survey, firms were more likely to report that revenues decreased rather than increased in the prior 12 months. Relatedly, the 2024 SBCS finds an increase in the share of firms that cited difficulty reaching customers and growing sales, making this the most commonly reported operational challenge. The share that reported weak sales as a financial challenge increased year over year as well.

Regarding credit applicants, 2024 survey data show that, despite little movement in the application and approval rates, there was a shift in the types of lenders from which small businesses sought financing. The 2024 data indicate that the application rate at large banks declined by 5 percentage points year over year, while the application rates at small banks, online lenders, finance companies, and credit unions mostly held steady.

SURVEY FINDINGS

The survey opened for responses on September 4, 2024, and closed on November 4, 2024. It yielded 7,653 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees (hereafter "firms" or "businesses") across all 50 states and the District of Columbia. This publication summarizes data for firms that were currently operating or temporarily closed at the time of the survey.

Firm performance and expectations were little changed year over year, though the revenue performance index declined for the second consecutive survey cycle as challenges with sales persisted.

- Employment growth, along with expectations for revenue and employment growth, held steady between the 2023 and 2024 surveys. However, the revenue performance index decreased by 7 points this cycle following a 3-point decline between the 2022 and 2023 surveys. For the first time since 2021, firms were more likely to report that revenues decreased rather than increased in the year prior to the survey. All performance indices have recovered somewhat from their pandemic-era lows but remain below prepandemic levels.
- Reaching customers and growing sales was the most commonly reported operational challenge. While the share of firms that cited reaching customers as an operational challenge increased from 53% in 2023 to 57% in 2024, there were declines in the shares that reported challenges with hiring and supply chains.
- Rising costs of goods, services, and/or wages remained the most common financial challenge, with 75% of firms citing this issue. More than half of firms cited paying operating expenses (56%) or uneven cash flows (51%) as challenges.

The share of firms with more than $100,000 in outstanding debt remained higher than prepandemic levels, and elevated levels of existing debt played an increasing role in the denial of financing applications.

- The share of firms with no outstanding debt (29%) was virtually unchanged year over year. The 39% of firms with more than $100,000 in debt also was unchanged from 2023 but remained higher than during prepandemic years.
- Fifty-nine percent of firms sought new financing in the 12 months leading up to the survey, with 40% of applicants seeking less than $50,000. The most common reasons for seeking financing were meeting operating expenses (56%) and pursuing an expansion or new opportunity (46%).
- While 41% of applicants received all the financing they sought, 36% received just some, and 24% received none.
- Firms that were denied all or some of the financing for which they applied were more likely in 2024 than in 2021 to say that they were denied because they already had too much debt (41% in 2024 versus 22% in 2021).
- Among the firms that did not seek financing, a majority (57%) said that they did not do so because they already had sufficient financing.

EXECUTIVE SUMMARY
(Continued)

The share of firms that applied for loans, lines of credit, or merchant cash advances remained stable year over year. Approvals were steady as well, but applicants' satisfaction with their lenders fell.

- Thirty-seven percent of firms applied for a loan, line of credit, or merchant cash advance in the prior 12 months, unchanged from 2023 and in line with prepandemic levels.
- Applicant firms were less likely to apply at large banks in 2024 than in 2023 (39% versus 44%). Application rates at other sources mostly remained stable.
- The share of applicants fully approved was steady year over year but remained below prepandemic levels.
- Applicants that sought financing at small banks were more likely to be fully approved (54%) than those that sought financing from other lenders.
- Net satisfaction with lenders among financing applicants declined overall between 2023 and 2024, falling most among applicants to online lenders (from 15% to 2%). Applicants at online lenders were more likely than applicants at other sources to experience challenges with their lender. High interest rates and unfavorable repayment terms were the most common challenges at online lenders.

The 2024 SBCS sought insight on some special topics, including the composition of firms' customers, the physical space in which firms operate, and the insurance coverage they maintain.

- The survey finds that, although individuals are a significant source of sales for a majority of firms, about one in three businesses sells mostly to other businesses or entities. When firms were asked about the types of customers that account for 10% or more of their sales, the most common response was individuals (67%), followed by other businesses (45%), state and local governments (15%), and the federal government (7%).
- Most businesses serve a significant portion of their customers at their business headquarters (21%) or within 50 miles of their headquarters (59%). Seven percent of firms said that international customers account for at least 10% of their sales.
- The majority of firms (59%) rent the space that is used as their business headquarters, while 17% own the space. Another 17% are headquartered in a residence. The distribution of firms' physical locations is virtually unchanged since this question was last asked in 2019.
- In 2024, 25% of businesses said that they had moved one or more times in the past five years, lower than the 31% that said the same in 2019.
- Among the types of insurance coverage carried by businesses, liability insurance was the most common (91%). The most frequently cited insurance-related challenge was cost (70%), followed by complicated/confusing policies (29%).

ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights into the dynamics behind lending trends and shed light on various segments of the small business population. The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples. For detailed information about the survey design and weighting methodology, please visit www.fedsmallbusiness.org/our-data/methodology.

NOTES AND DEFINITIONS

TIME REFERENCES

Survey questions in the SBCS ask respondents to reference specific time periods. Most questions ask about respondents' experiences in the 12 months prior to the time of their response. In some cases, questions ask about conditions at the time of their response. Finally, some questions ask about respondents' expectations for the 12 months following the time of their response. The time periods referenced in the survey are defined as follows throughout this report:

Prior 12 Months. The 12 months prior to the fielding of the survey. For the 2024 SBCS, this is approximately September–November 2023 through September–November 2024.

At Time of Survey. September through November 2024.

Next 12 Months. The 12 months following the fielding of the survey. For the 2024 SBCS, this is approximately September–November 2024 through September–November 2025.

FINANCIAL SERVICES PROVIDERS AND LENDERS

Questions in the SBCS ask respondents about their use of and experiences with lenders and other financial services providers. Because respondents may not have a uniform understanding of the terms used in the SBCS, the questionnaire provides examples and explanatory information about the response options.[1] The financial services providers, lenders, and lender categories referenced in the survey are defined as follows:

Large bank, small bank. Large banks are defined as those with at least $10B in total assets; small banks are those with less than $10B in total assets. For applicable questions, respondents are shown a list of large banks operating in their state to assist them with proper classification of their institution.

Finance company. Finance companies are nonbanks that provide loans, leases, and other financial services. Examples include mortgage companies, equipment dealers, insurance companies, and auto finance companies.

Financial company that is not a bank. Examples include payroll services and payments processing companies, fintech lenders, and finance companies.

Financial institution or lender. This category includes all bank or nonbank financial intermediaries, such as banks, finance companies, online lenders, and credit unions.

Online lender/fintech company. Online lenders/fintech companies are nonbanks that operate online. Examples include OnDeck, CAN Capital, and PayPal Working Capital.

Community development financial institution (CDFI). CDFIs are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the US Department of the Treasury.

CREDIT RISK

Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If a firm uses both, the higher risk rating is used. "Low credit risk" is an 80–100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50–79 business credit score or a 620–719 personal credit score. "High credit risk" is a 1–49 business credit score or a <620 personal credit score.

1 *For more details, see the 2024 SBCS questionnaire at www.fedsmallbusiness.org/our-data/questionnaires.*

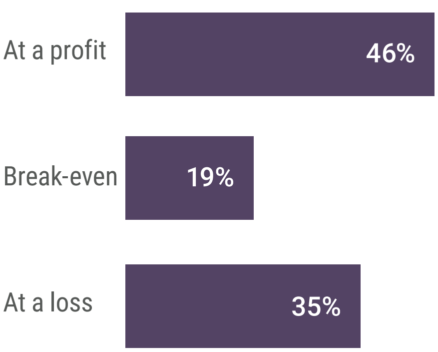
PERFORMANCE AND CHALLENGES

Firm Performance, Prior 12 Months

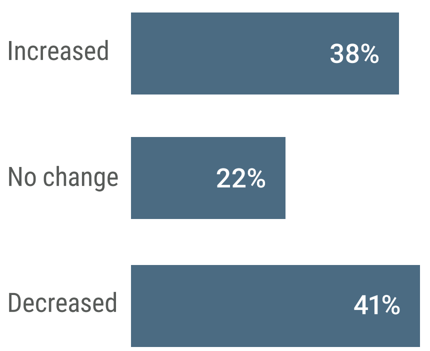
The net share of firms reporting revenue growth declined year over year. All performance indices have recovered from their pandemic-era lows but remain below prepandemic levels.

EMPLOYER FIRM PERFORMANCE, *2024 Survey*[1,2] (% of employer firms)

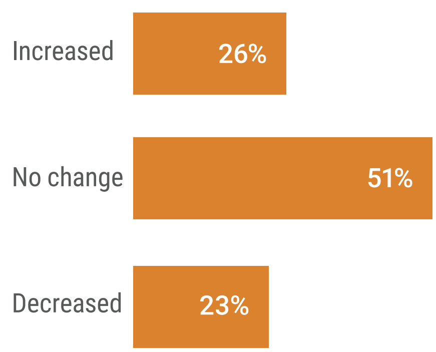
PROFITABILITY, *End of 2023* N=7,340



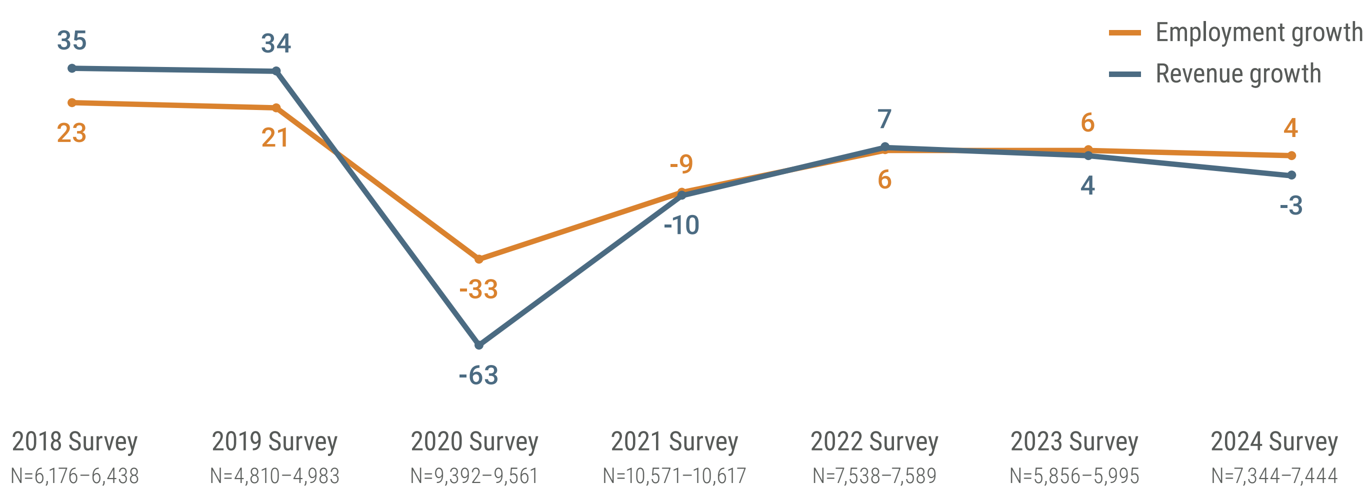
REVENUE CHANGE, *Prior 12 Months* N=7,344



EMPLOYMENT CHANGE, *Prior 12 Months* N=7,444



EMPLOYER FIRM PERFORMANCE INDICES, *Prior 12 Months, By Survey Year*[1,3]



1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Percentages may not sum to 100 because of rounding.*
3 *The revenue and employment growth diffusion indices are the shares reporting growth minus the shares reporting a reduction in the prior 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.*

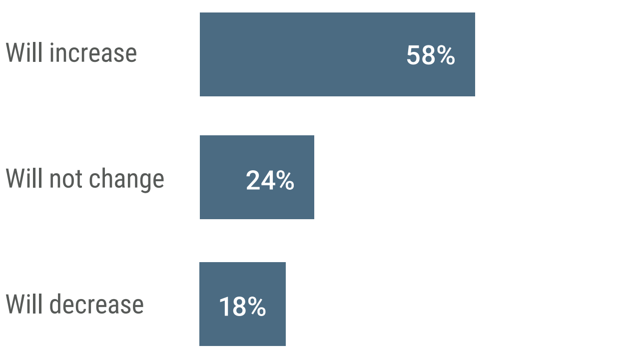
PERFORMANCE AND CHALLENGES

Revenue and Employment Expectations, Next 12 Months

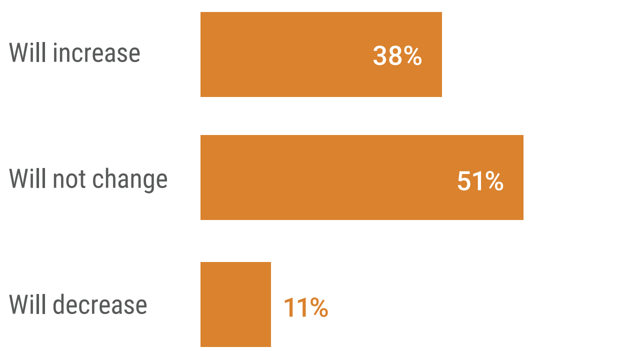
At the time of the survey, expectations for revenue and employment growth in the next 12 months were little changed from a year earlier and remained below prepandemic levels.

EMPLOYER FIRM EXPECTATIONS, *2024 Survey*[1,2] (% of employer firms)

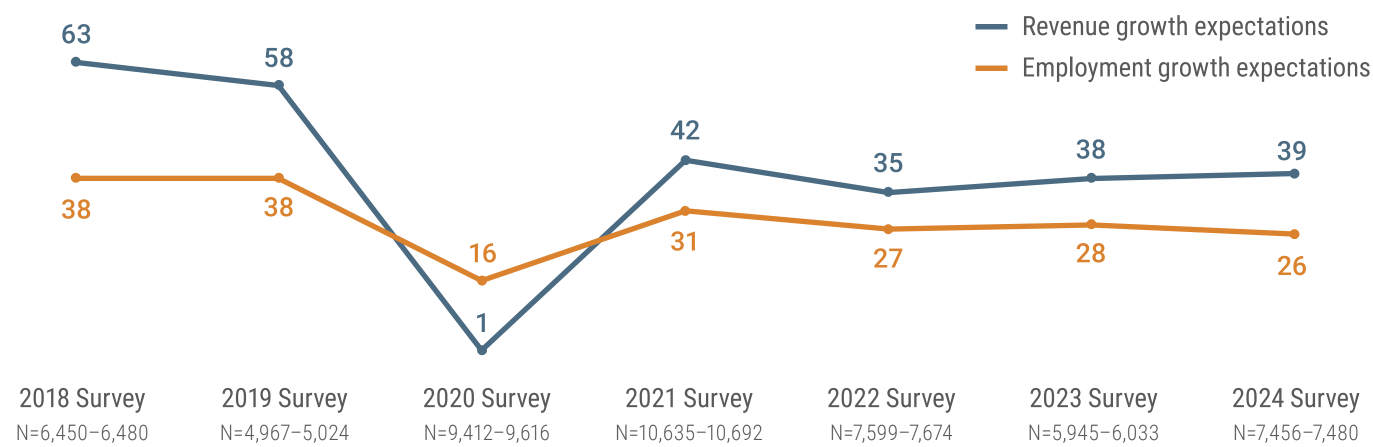
EXPECTED REVENUE CHANGE, *Next 12 Months* N=7,456



EXPECTED EMPLOYMENT CHANGE, *Next 12 Months* N=7,480



EMPLOYER FIRM EXPECTATIONS INDICES, *Next 12 Months, By Survey Year*[1,3]

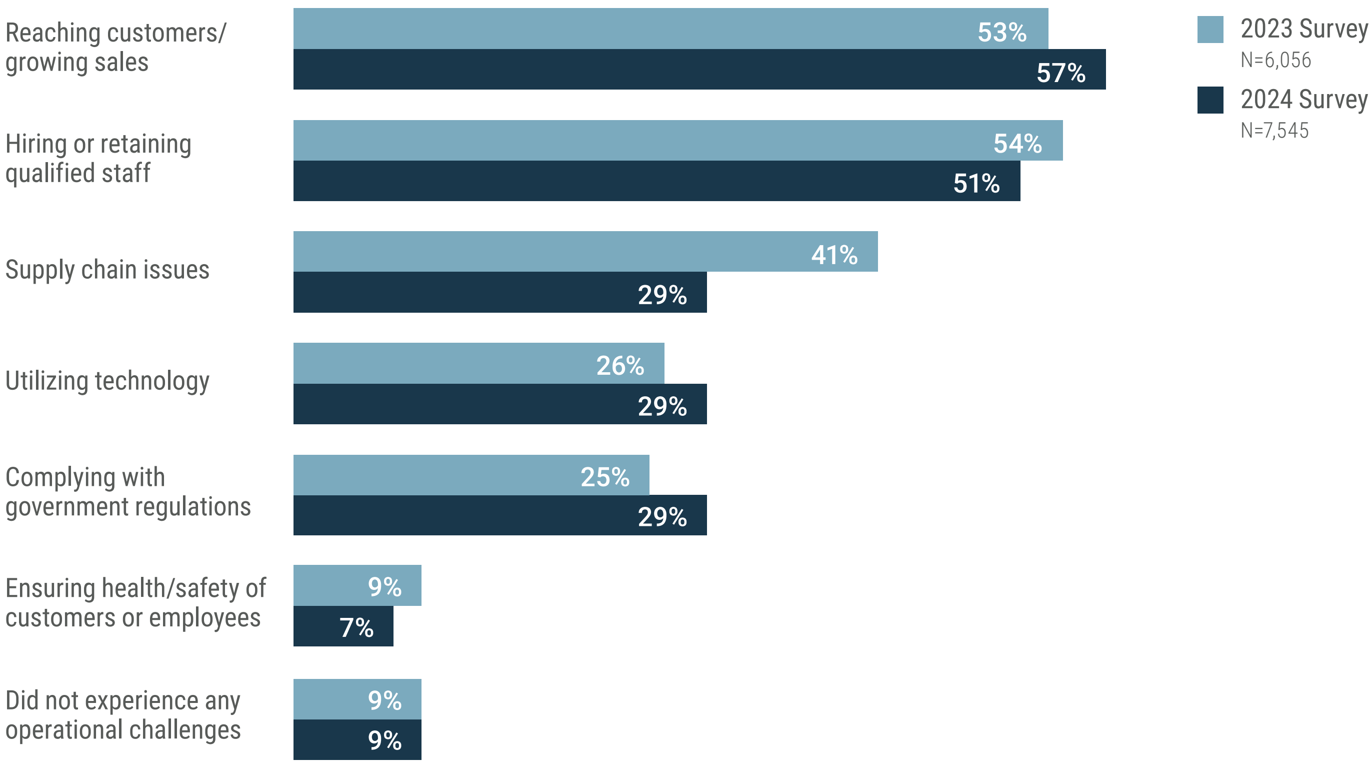


1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Percentages may not sum to 100 because of rounding.*
3 *The revenue and employment growth diffusion indices are the shares reporting growth minus the shares reporting a reduction in the prior 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.*

Source: Small Business Credit Survey, Federal Reserve Banks

Compared to a year earlier, firms were more likely to cite challenges reaching customers and growing sales and less likely to report issues with supply chains.

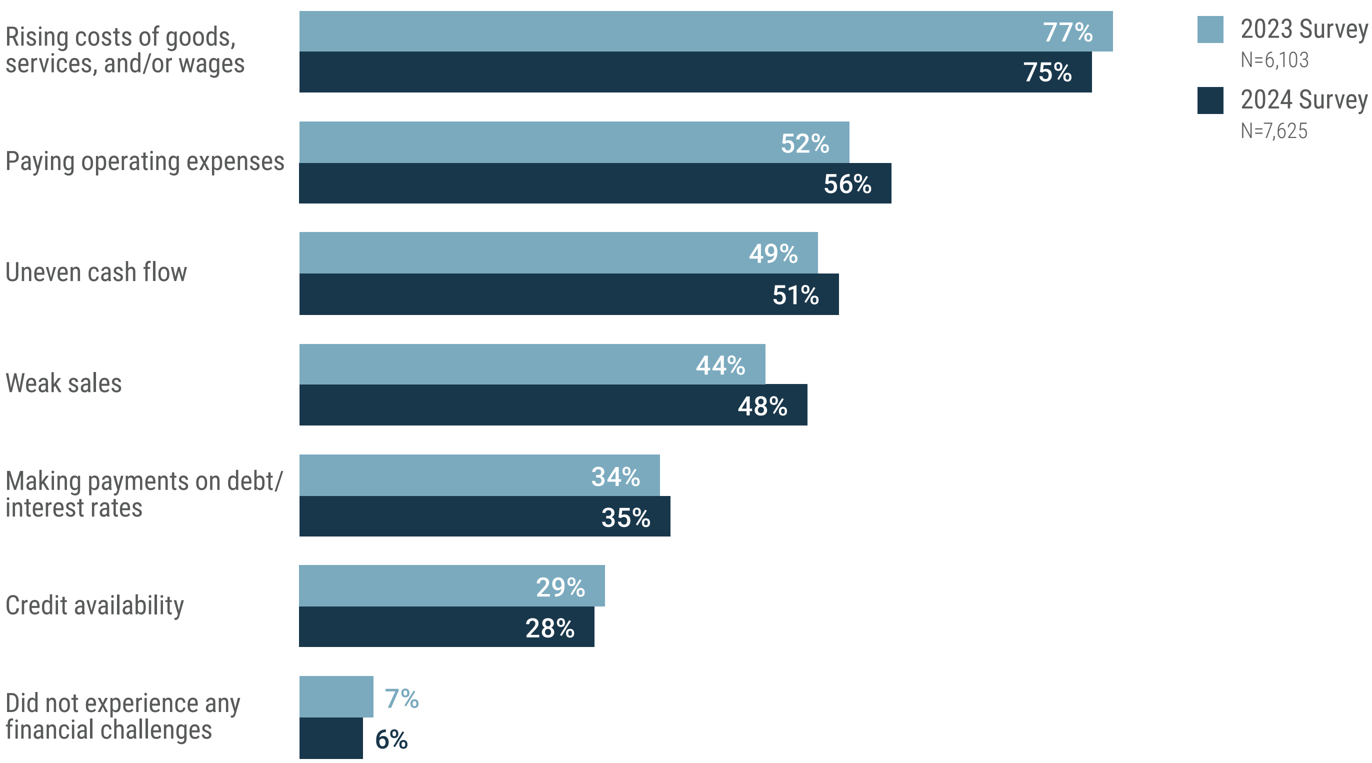
OPERATIONAL CHALLENGES, *Prior 12 Months, By Survey Year*[1] (% of employer firms)



1 *"Utilizing technology" included e-commerce, cyber security, social media, and website issues. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions used in the SBCS.*

Rising costs of goods, services, and wages remained the most commonly reported financial challenge. Firms were more likely to identify weak sales and paying operating expenses as challenges in 2024 than in 2023.

FINANCIAL CHALLENGES, *Prior 12 Months, By Survey Year*[1] (% of employer firms)



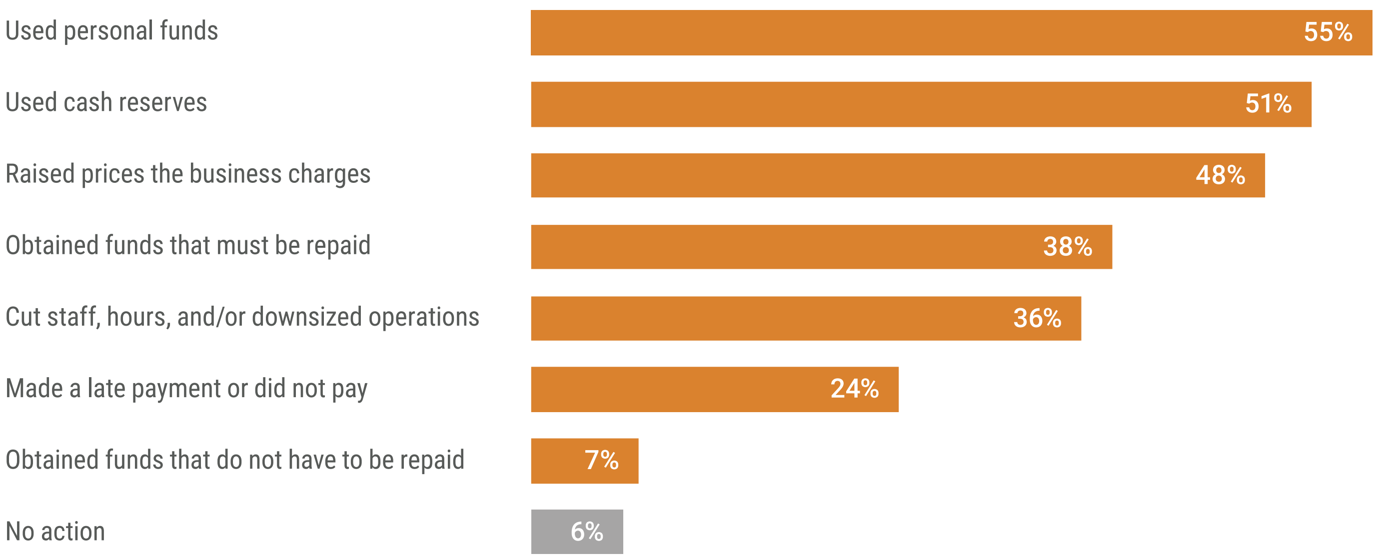
1 *"Uneven cash flow" includes collecting on receivables. Examples presented for "paying operating expenses" include payroll, rent, and inventory costs. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions used in the SBCS.*

PERFORMANCE AND CHALLENGES

Financial Challenges (Continued)

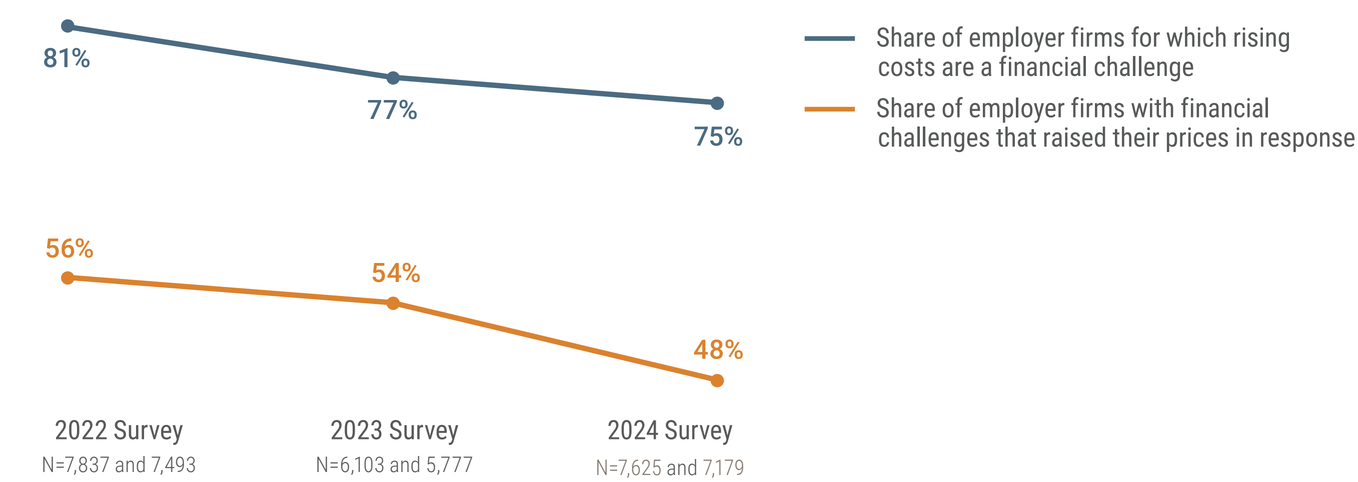
ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, *Prior 12 Months*[1,2] N=7,179

(% of employer firms with financial challenges)



The share of firms facing rising costs declined by 6 percentage points since 2022; the share that raised their prices in response to financial challenges declined by 8 points.

RISING COSTS AND PRICES, *Prior 12 Months, By Survey Year*[1,3]



1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Respondents could select multiple options. Response option "other action" not shown. See Appendix for more details.*
3 *"Rising costs" includes costs for goods, services, and/or wages. Questions were asked separately. For each survey year, the number of observations for the "share of employer firms for which rising costs are a financial challenge" is shown first.*

PERFORMANCE AND CHALLENGES

Growing Firms

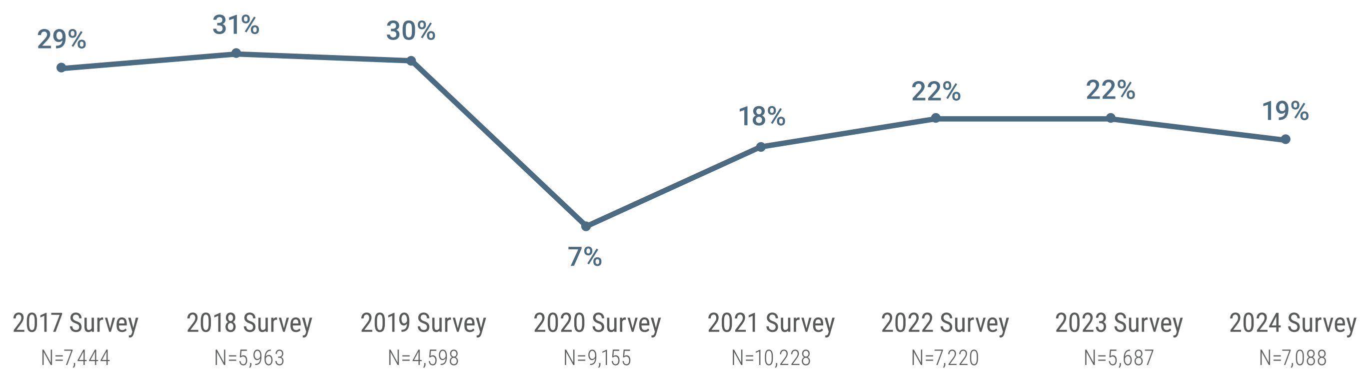
19%

of employer firms are **growing**

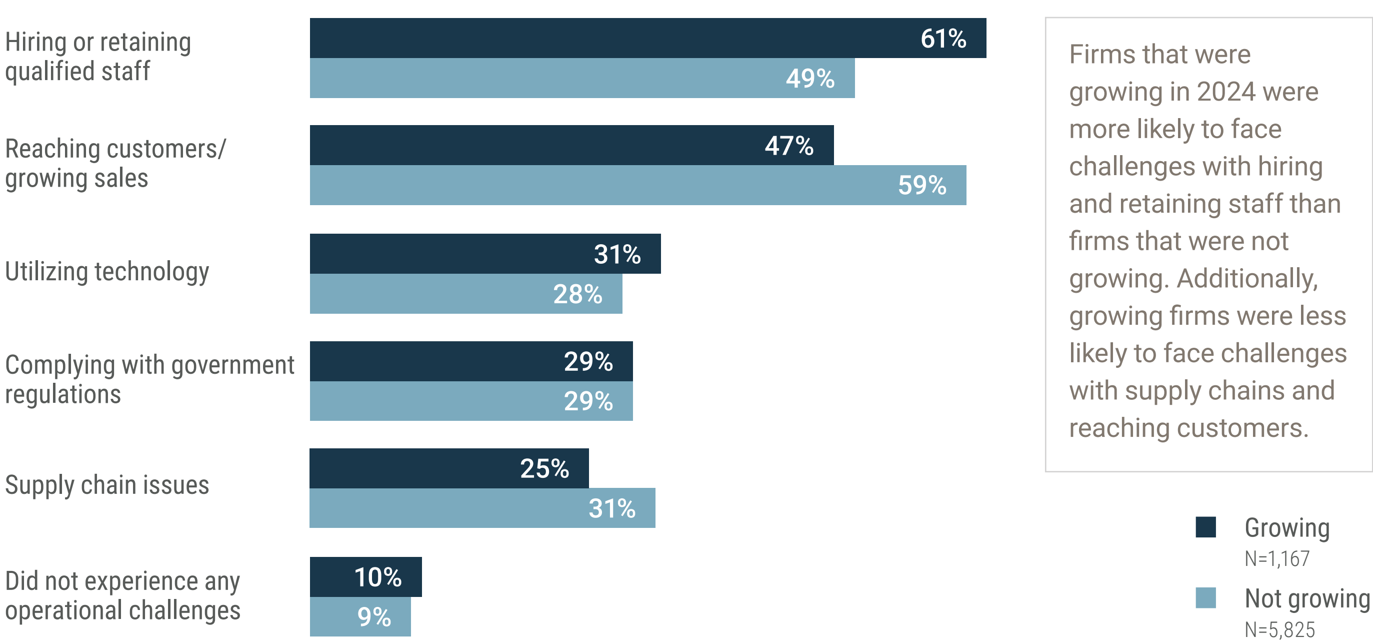
Growing firms are defined as those that

- ☑ Increased their revenues;
- ☑ Increased their number of employees; and
- ☑ Plan to increase or maintain their number of employees.

SHARE OF FIRMS THAT ARE GROWING, *By Survey Year*[1] (% of employer firms)



OPERATIONAL CHALLENGES, *Prior 12 Months, 2024 Survey*[1,2] (% of employer firms that are growing and not growing)



Firms that were growing in 2024 were more likely to face challenges with hiring and retaining staff than firms that were not growing. Additionally, growing firms were less likely to face challenges with supply chains and reaching customers.

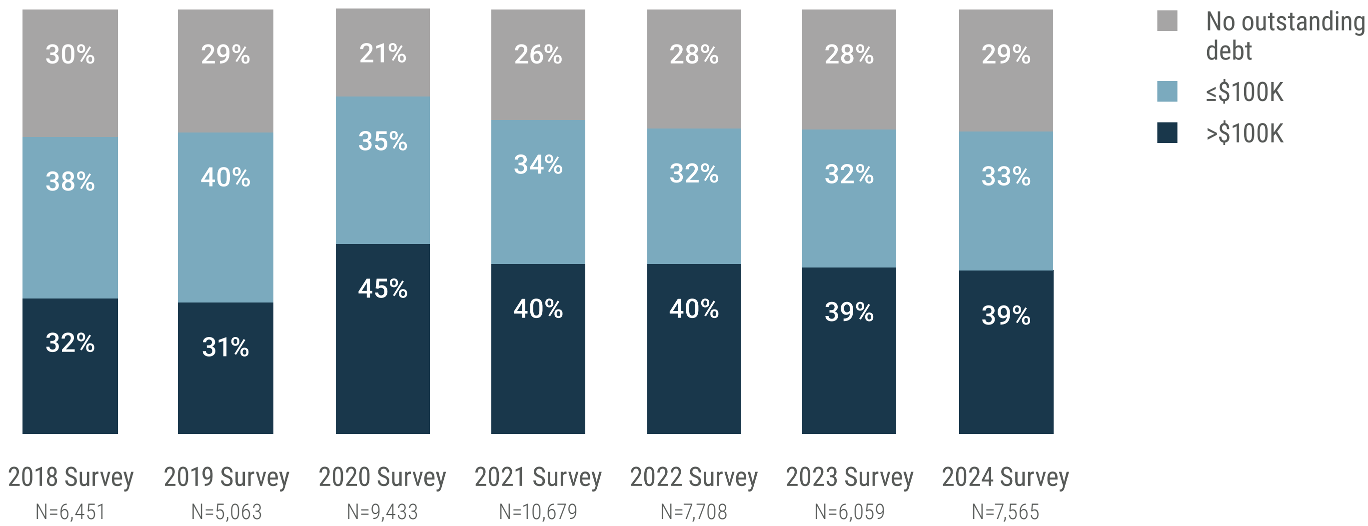
1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

DEBT AND FINANCING

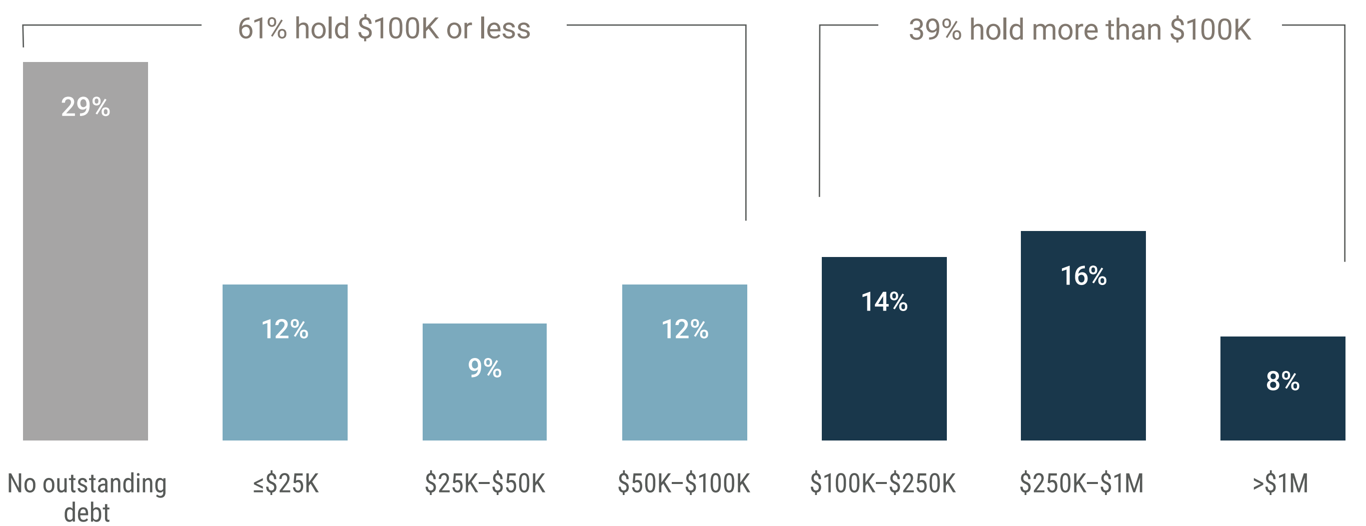
Outstanding Debt

The share of firms with debt was mostly steady compared to 2023, and the share with more than $100,000 in debt remained substantially elevated from prepandemic years.

AMOUNT OF OUTSTANDING DEBT, *At Time of Survey, By Survey Year*[1] (% of employer firms)



AMOUNT OF OUTSTANDING DEBT, *At Time of 2024 Survey*[1,2] (% of employer firms) N=7,565



1 *Respondents were instructed to consider funds borrowed from external parties, including formal borrowing from financial institutions and loans from friends and family. In the 2020 and 2021 surveys, respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, Paycheck Protection Program loans). Percentages may not sum to 100 because of rounding. See Notes and Definitions for details on time period definitions used in the SBCS.*

2 *Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M. Percentages may not sum to 100 because of rounding.*

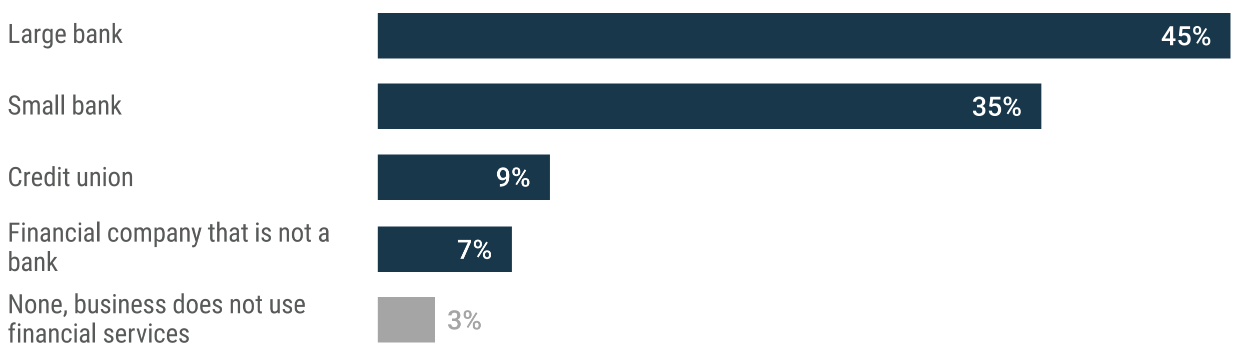
Source: Small Business Credit Survey, Federal Reserve Banks

DEBT AND FINANCING

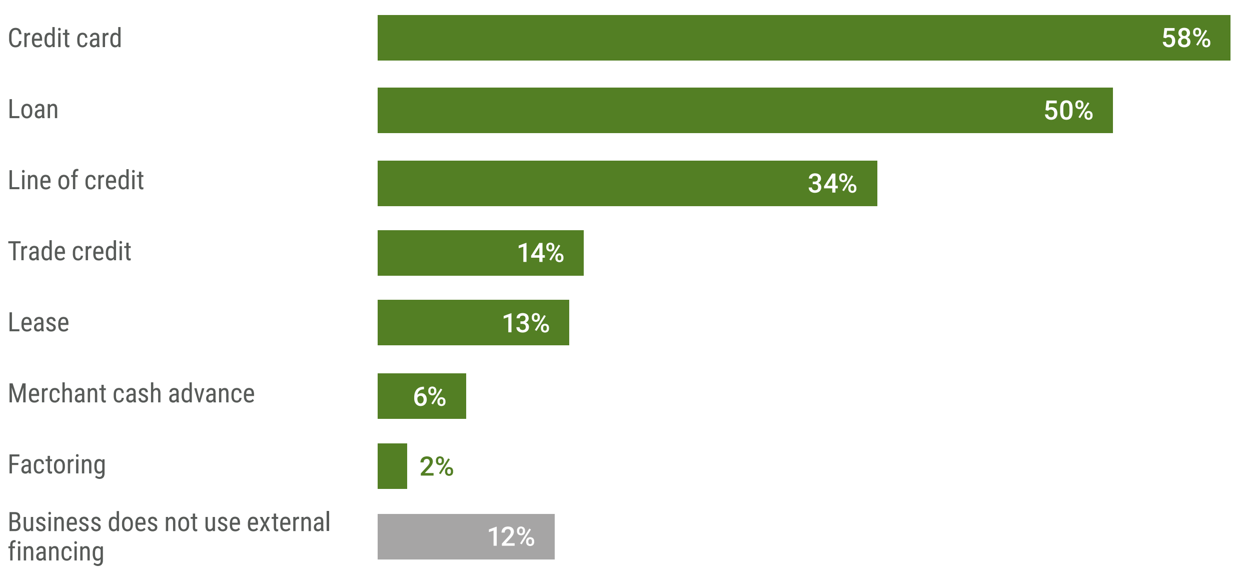
Financial Services Providers and Regularly Used Financing

About 8 in 10 firms use a bank as their primary financial services provider.

PRIMARY FINANCIAL SERVICES PROVIDER[1] (% of employer firms) N=7,625



USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis*[2] (% of employer firms) N=7,653



1 *Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. Respondents may have more than one financial services provider but are asked to identify their primary source of financial services in a follow-up question. See Notes and Definitions for details on financial services provider definitions used in the SBCS. Response option "other" not shown. See Appendix for more details.*

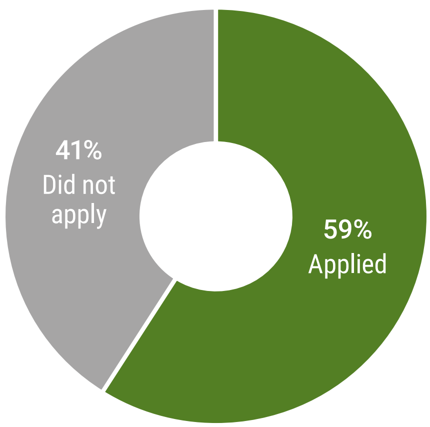
2 *"Loan" includes mortgage for the business. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

DEBT AND FINANCING

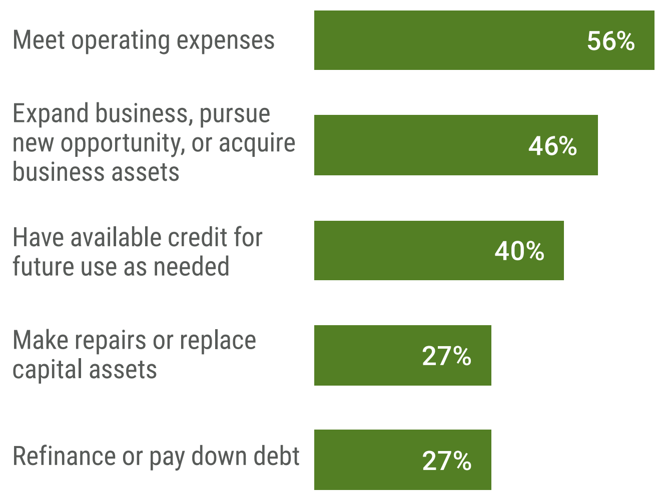
Demand for Financing

More than half of firms sought some type of financing in the 12 months prior to the survey. Firms most often applied for financing to meet operating expenses.

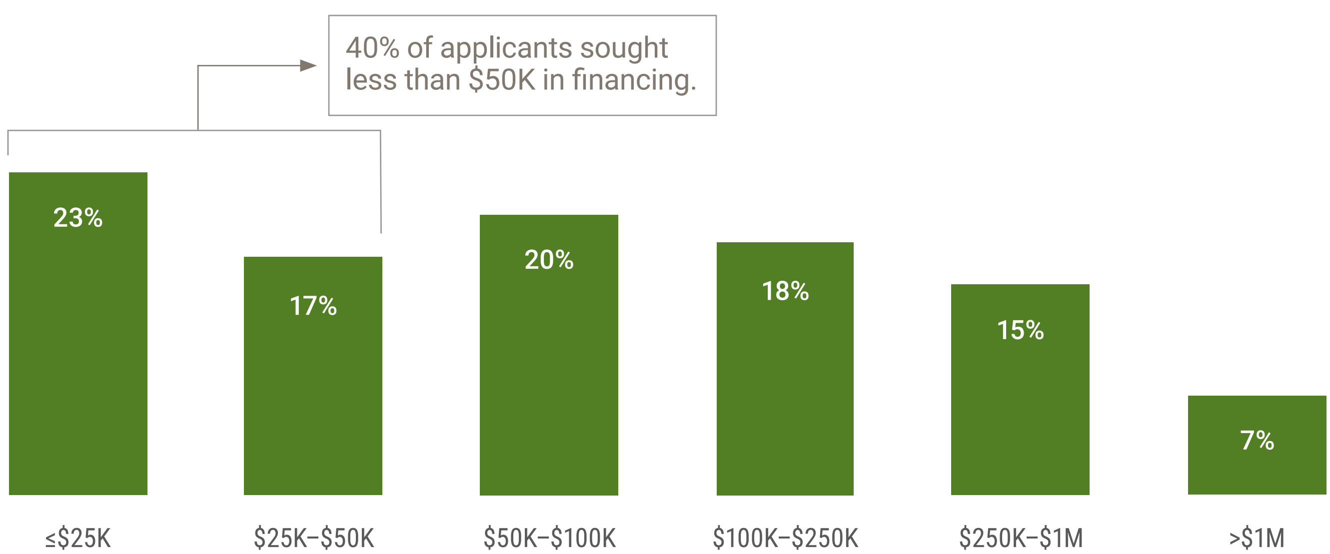
SHARE THAT APPLIED FOR FINANCING, *Prior 12 Months*[1,2] (% of employer firms) N=7,653



REASONS FOR APPLYING, *Prior 12 Months*[1,2,3] (% of applicants) N=4,415



AMOUNT OF FINANCING SOUGHT, *Prior 12 Months*[1,2,4] (% of applicants) N=4,330



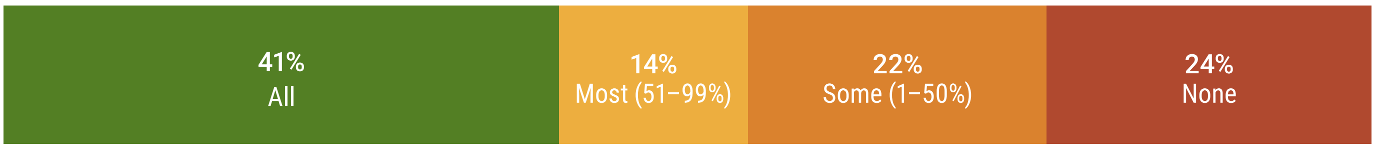
1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Because of changes to financing questions first implemented in the 2023 SBCS, data on demand for financing are not directly comparable to SBCS findings from surveys prior to 2023. See Methodology for more details.*
3 *Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*
4 *Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M. Percentages may not sum to 100 because of rounding.*

Source: Small Business Credit Survey, Federal Reserve Banks

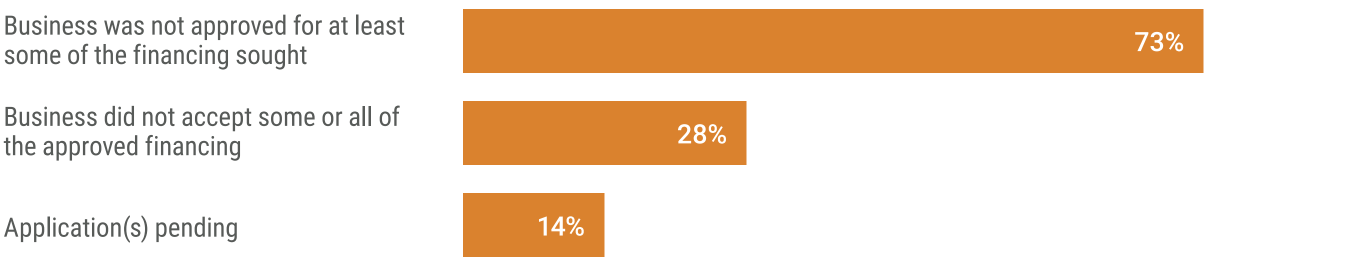
DEBT AND FINANCING

Demand for Financing (Continued)

TOTAL FINANCING RECEIVED, *Prior 12 Months*[1,2] (% of applicants) N=4,284

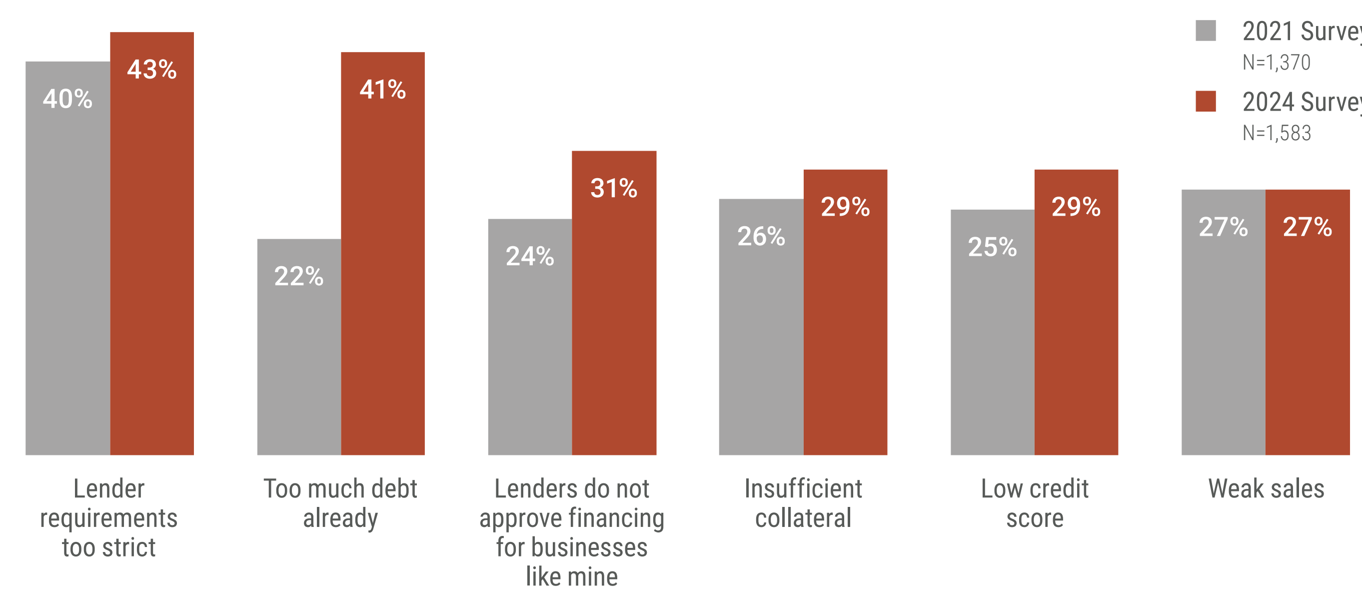


REASONS APPLICANT DID NOT RECEIVE FULL AMOUNT OF FINANCING SOUGHT, *Prior 12 Months*[1,3] (% of applicants that did not receive all of financing sought) N=2,532



Applicants that were denied financing were far more likely in 2024 than in 2021 to attribute their denial to having too much debt already.

REASONS FOR CREDIT DENIAL, *Prior 12 Months*[1,3] (% of applicants that were not approved for at least some of the financing sought)

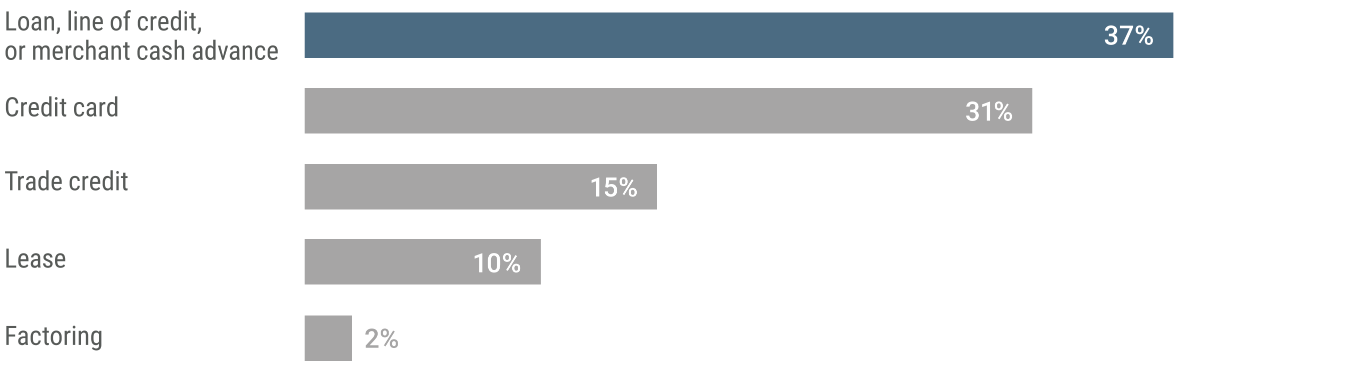


1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Percentages may not sum to 100 because of rounding.*
3 *Respondents could select multiple options. Response option "other" not shown. Select response options shown. See Appendix for more details.*

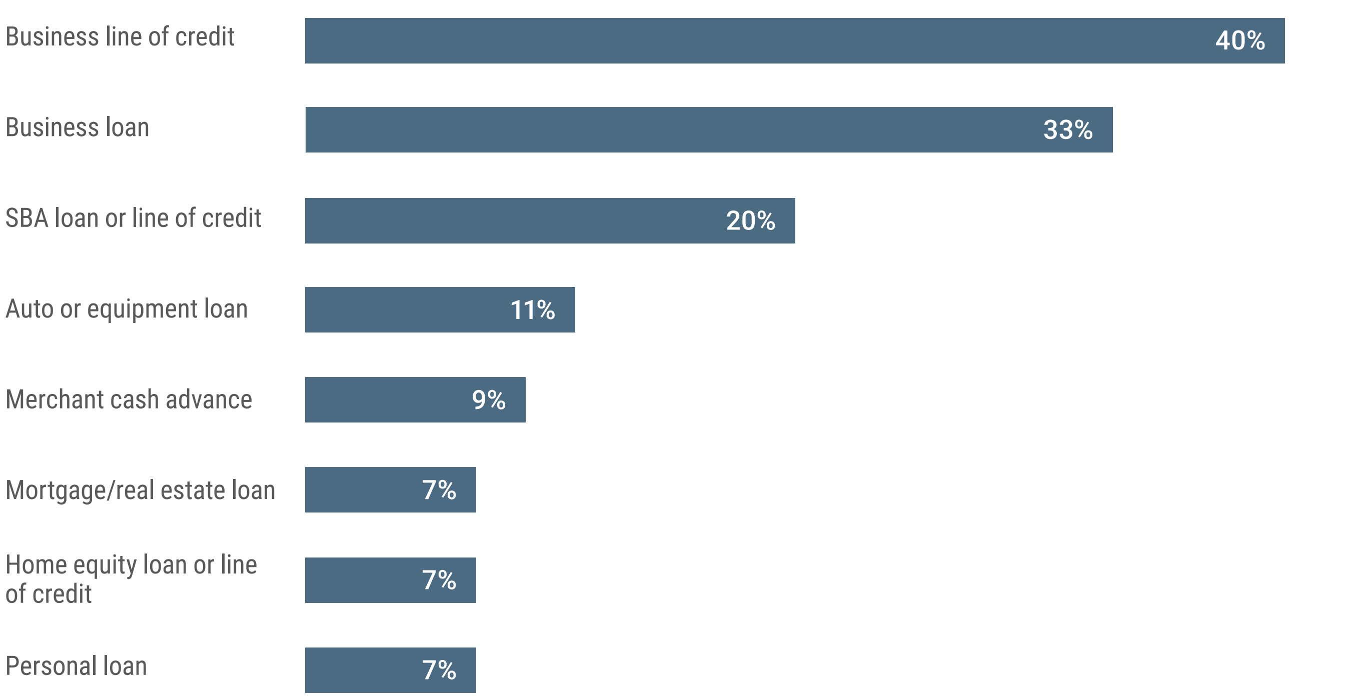
DEBT AND FINANCING
Applications by Product

Nearly 4 in 10 firms sought a loan, line of credit, or merchant cash advance in the 12 months prior to the survey.

FINANCING AND CREDIT PRODUCTS SOUGHT, *Prior 12 Months*[1,2] (% of employer firms) N=7,653



APPLICATION RATE BY TYPE OF LOAN, LINE OF CREDIT, OR MERCHANT CASH ADVANCE, *Prior 12 Months*[1,3] (% of loan, line of credit, and cash advance applicants) N=2,941



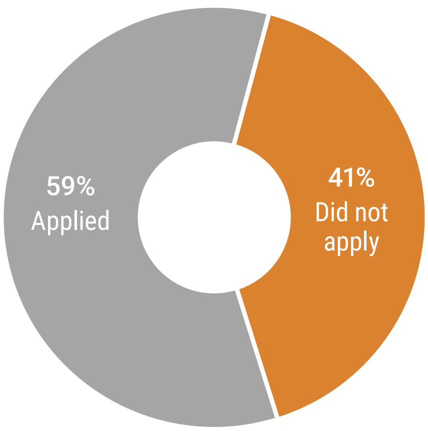
1 *Respondents could select multiple options. See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Loans, lines of credit, and merchant cash advances are presented separately in the questionnaire but are combined here to show the total share that applied for at least one of the three. The combined share is intended to provide context for the Financing Applications section of this report, which draws from the survey's more detailed questions on application experiences for these three product types. Reported separately, 25% of firms applied for a loan, 22% applied for a line of credit, and 7% applied for a merchant cash advance. See Appendix for more details. For brevity, merchant cash advances are also referred to as cash advances throughout the report.*
3 *"SBA" refers to the Small Business Administration. Response option "other" not shown. See Appendix for more details.*

DEBT AND FINANCING

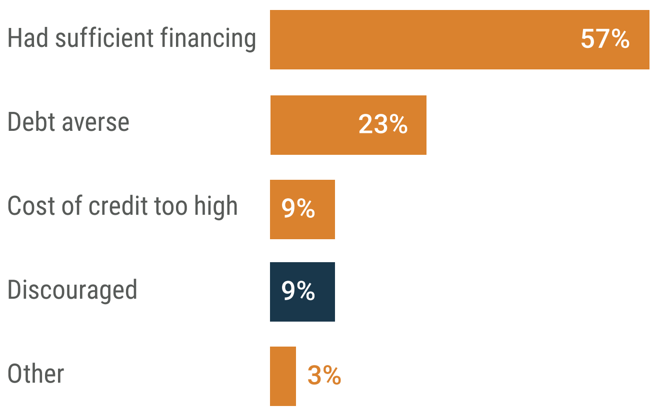
Nonapplicants

Most nonapplicants—that is, firms that did not apply for financing in the past 12 months—chose not to apply because they already had sufficient financing.

SHARE THAT APPLIED FOR FINANCING, *Prior 12 Months*[1,2] (% of employer firms) N=7,653

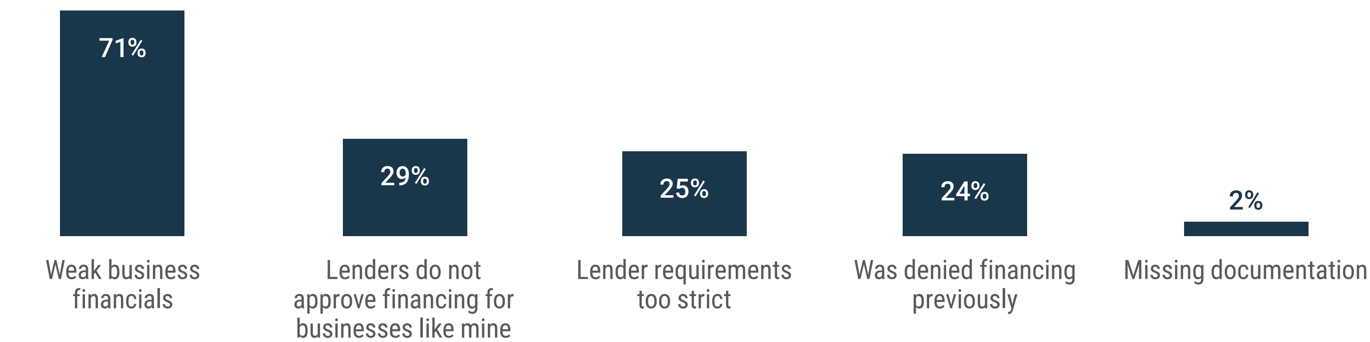


TOP REASONS FOR NOT APPLYING, *Prior 12 Months*[1,2,3] (% of nonapplicants) N=2,950



Discouraged nonapplicants—those who did not apply because they did not think they would be approved—most often cited weak business financials as the reason they expected to be denied financing.

REASONS DISCOURAGED BORROWERS DID NOT EXPECT TO BE APPROVED[4] N=295
(% of discouraged nonapplicants)



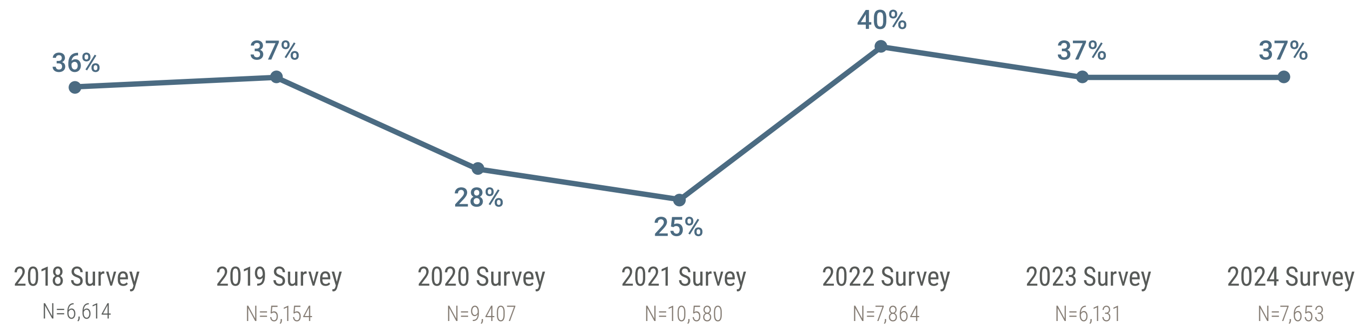
1 See Notes and Definitions for details on time period definitions used in the SBCS.
2 Percentages may not sum to 100 due to rounding. Because of changes to financing questions first implemented in the 2023 SBCS, data on demand for financing and, likewise, data on nonapplicants are not directly comparable to SBCS findings from surveys prior to 2023. See Methodology for more details.
3 Response option "other" includes "application process was too difficult or confusing" and other reasons. See Appendix for more details.
4 Respondents could select multiple options. Response options "other" and "unsure" not shown. See Appendix for more details. In prior surveys, respondents that selected "Lenders do not approve financing for businesses like mine" had the option to explain further. Firms most often said that their business is too small, too new, or is in an industry lenders view as risky. Additionally, respondents cited irregular cash flow (for example, a seasonal business or a business with large contracts that pay infrequently) or a lack of assets suitable for collateral. A comparatively small share expected lenders would not approve them because of the owners' race or ethnicity, gender, age, disability, or another characteristic.

FINANCING APPLICATIONS

Applications for Loans, Lines of Credit, and Cash Advances

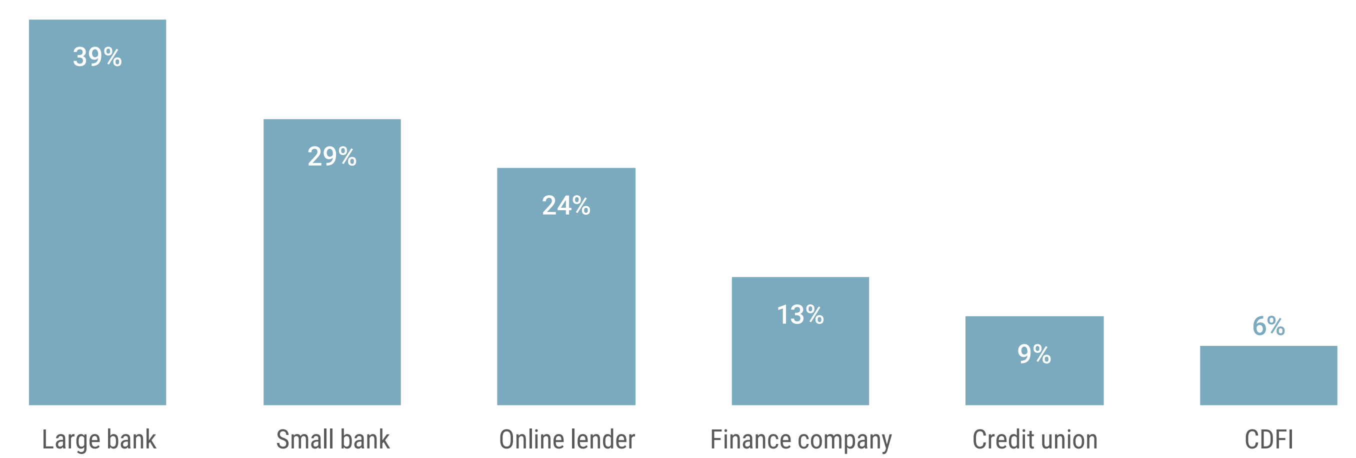
The share of firms that applied for loans, lines of credit, or merchant cash advances remained steady from 2023.

SHARE OF FIRMS THAT APPLIED FOR LOANS, LINES OF CREDIT, OR CASH ADVANCES,
Prior 12 Months, By Survey Year[1] (% of employer firms)



Applicants most often sought financing at large banks, small banks, and online lenders.

CREDIT SOURCES APPLIED TO, *Prior 12 Months, 2024 Survey*[2] N=2,897
(% of loan, line of credit, and cash advance applicants)



1 For applicable survey years, the application rate excludes demand for pandemic-related assistance programs (e.g., the Paycheck Protection Program). See Notes and Definitions for details on time period definitions used in the SBCS.

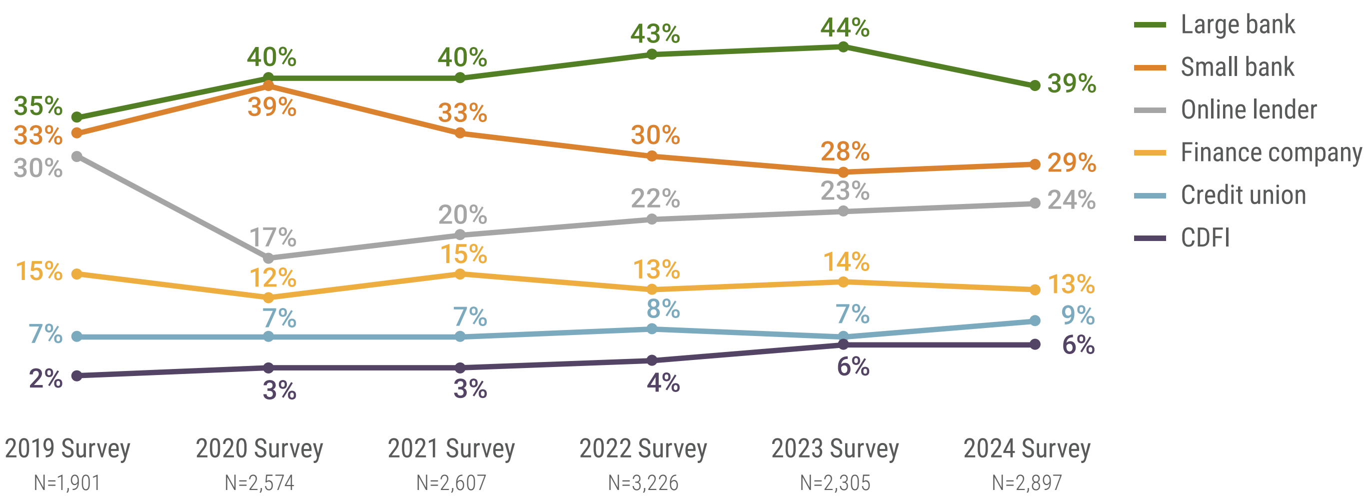
2 Respondents that submitted more than one application could select multiple source options. Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Sources

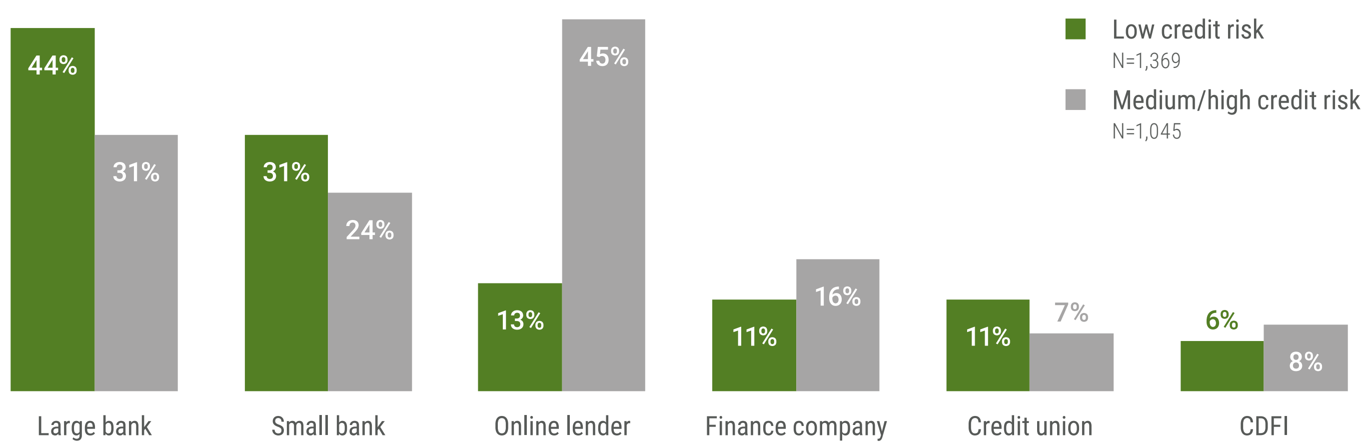
Applicants most often sought financing at large banks, but fewer did so in 2024 compared to 2023.

CREDIT SOURCES APPLIED TO, *By Survey Year*[1,2] (% of loan, line of credit, and cash advance applicants)



Medium- and high-risk applicants were much more likely than low-risk applicants to apply for financing at online lenders.

CREDIT SOURCES APPLIED TO, *By Credit Risk of Firm, 2024 Survey*[2,3] (% of loan, line of credit, and cash advance applicants)



1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from the 2019, 2020, and 2021 surveys include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for lender descriptions used in the SBCS.*

2 *Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*

3 *See Notes and Definitions for details on credit risk definitions used in the SBCS.*

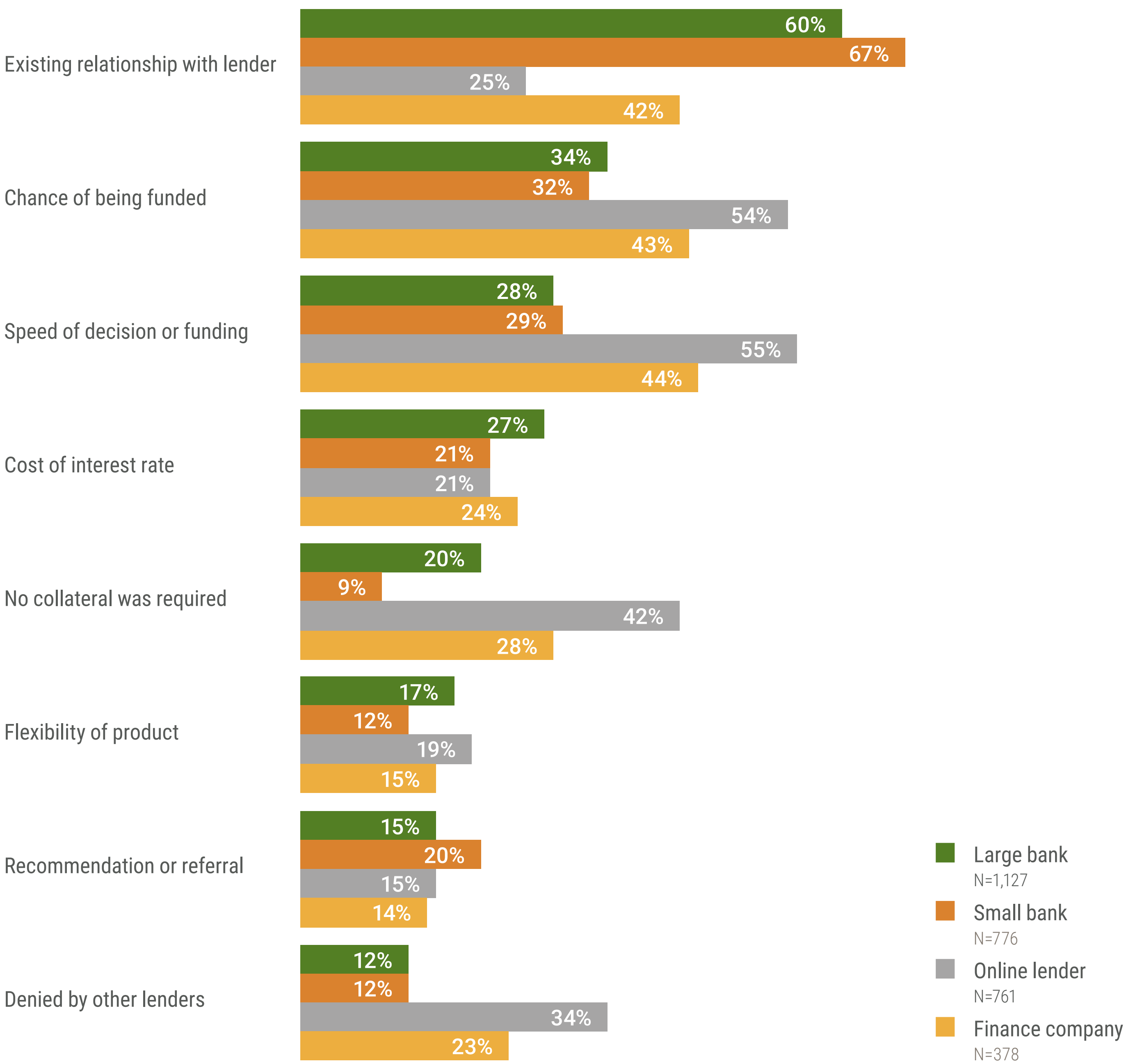
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Sources (Continued)

Existing relationships remained the top reason firms applied at banks. Expected odds of success, quick service, lack of collateral requirements, and denial by other lenders most commonly drove firms to apply at online lenders.

FACTORS INFLUENCING WHERE FIRMS APPLIED[1] (% of loan, line of credit, and cash advance applicants at source)



1 *Select lender categories shown. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on lender descriptions used in the SBCS.*

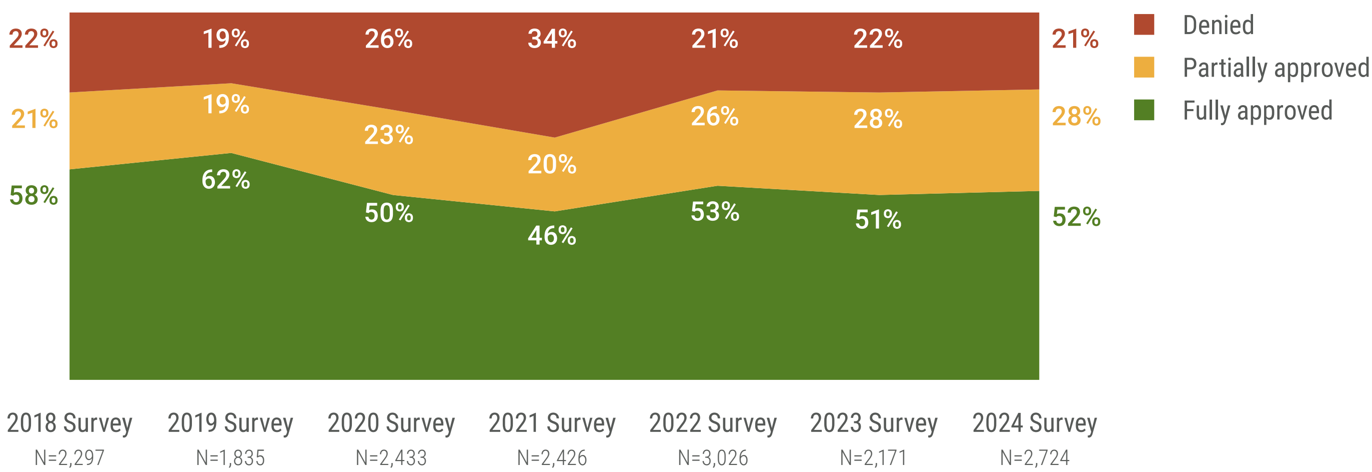
FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Application Outcomes

The share of applicants fully approved was steady year over year but remained below prepandemic levels.

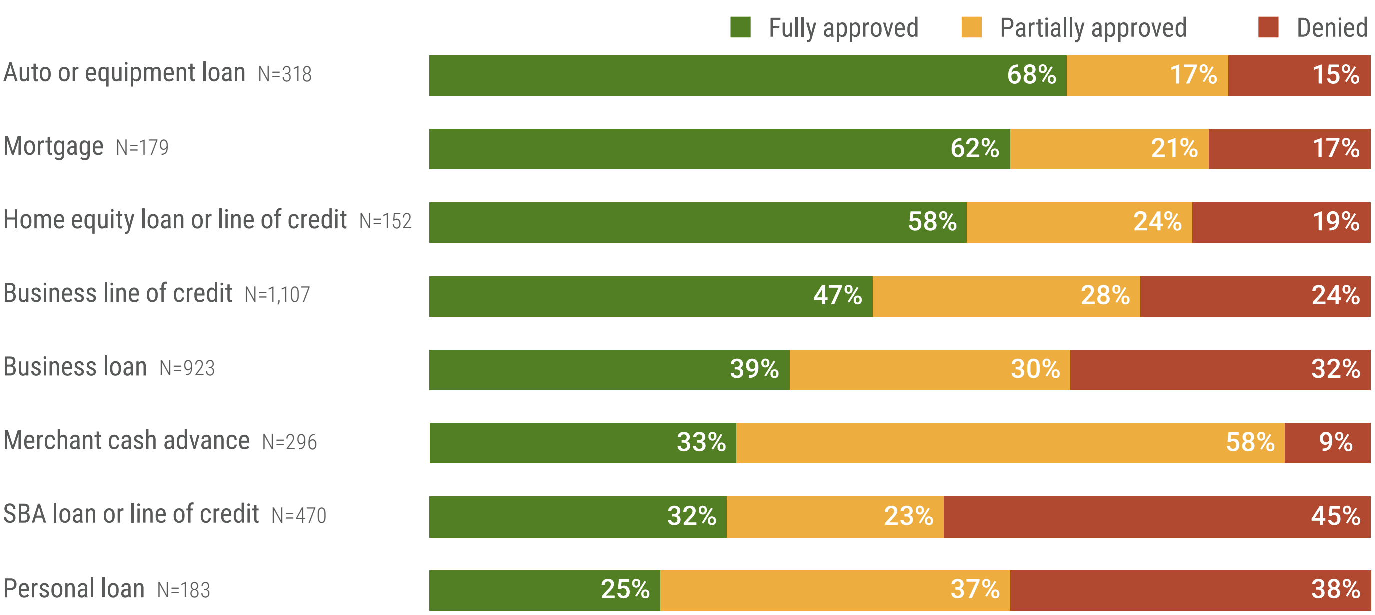
OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *Prior 12 Months, By Survey Year*[1,2]

(% of loan, line of credit, and cash advance applicants)



OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *By Product, 2024 Survey*[2,3]

(% of loan, line of credit, and cash advance applicants)



1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from surveys prior to 2022 include only the firms' two most recent applications; therefore, percentages may vary from past reports. Throughout the Financing Applications section of this report, outcomes exclude pending applications and, for applicable years, applications for pandemic-related assistance programs (e.g., the Paycheck Protection Program). See Notes and Definitions for details on time period definitions used in the SBCS.*

2 *Percentages may not sum to 100 because of rounding.*

3 *Product type "other" not shown. See Appendix for more details.*

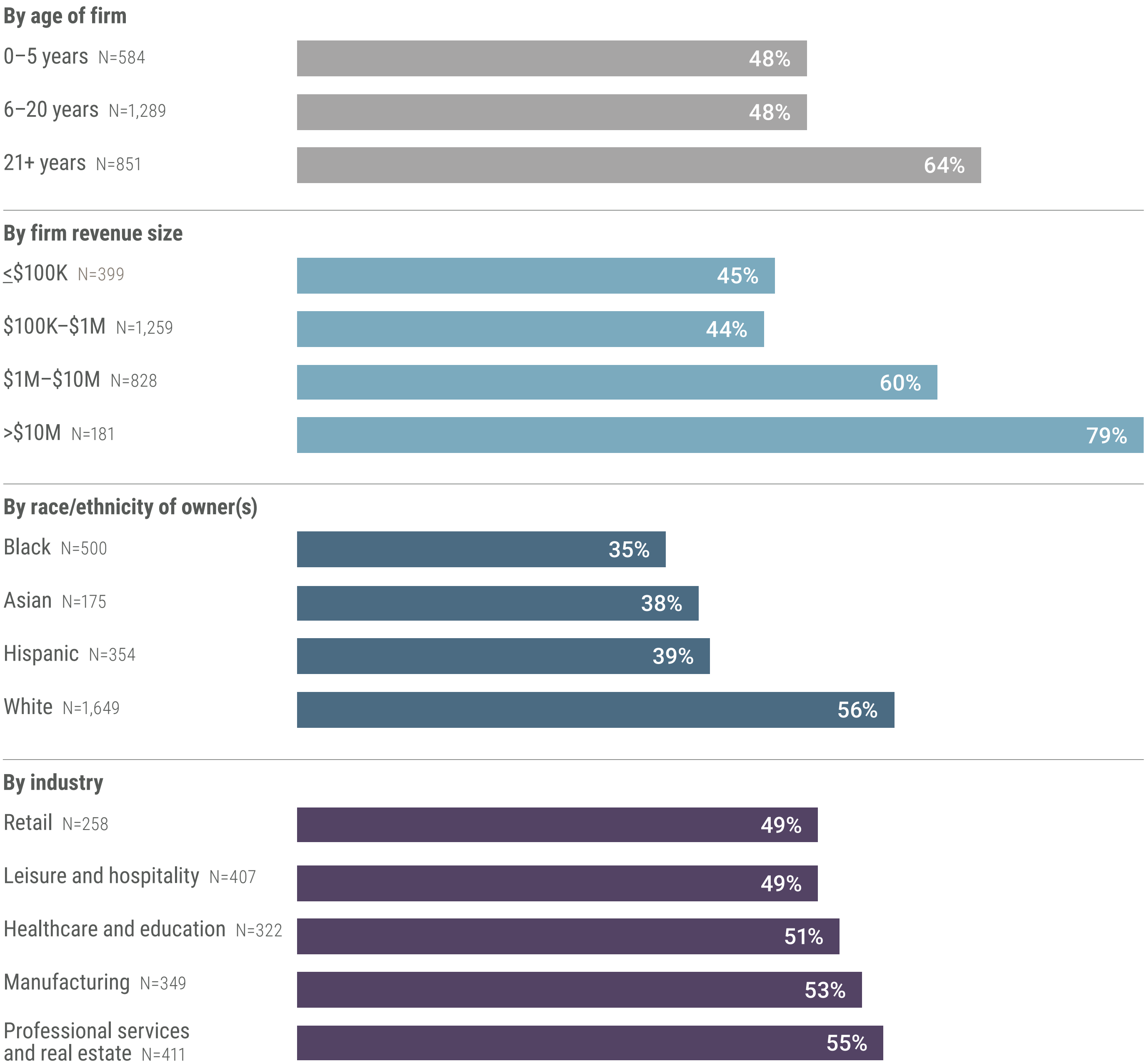
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Application Outcomes (Continued)

Older, larger, and white-owned firms were more likely than their newer, smaller, and minority-owned counterparts to be fully approved for the financing they sought.

SHARE OF APPLICANTS THAT WERE FULLY APPROVED, *Prior 12 Months*[1]
(% of loan, line of credit, and cash advance applicants)



1 *The shares shown are the aggregate percentages by category and are not adjusted to control for characteristics such as firm profitability, credit risk, or other indicators of creditworthiness. Select firm categories shown. See Appendix for more details. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M. American Indian- and Alaska Native-owned firms not shown because of sample size limitations. See Notes and Definitions for details on time period definitions used in the SBCS.*

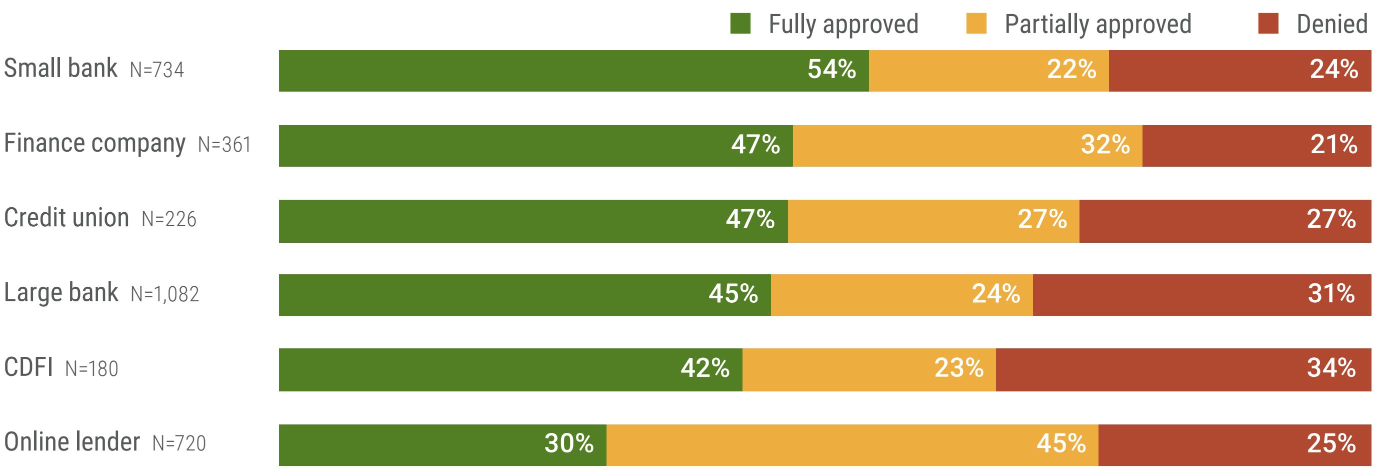
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Outcomes by Source

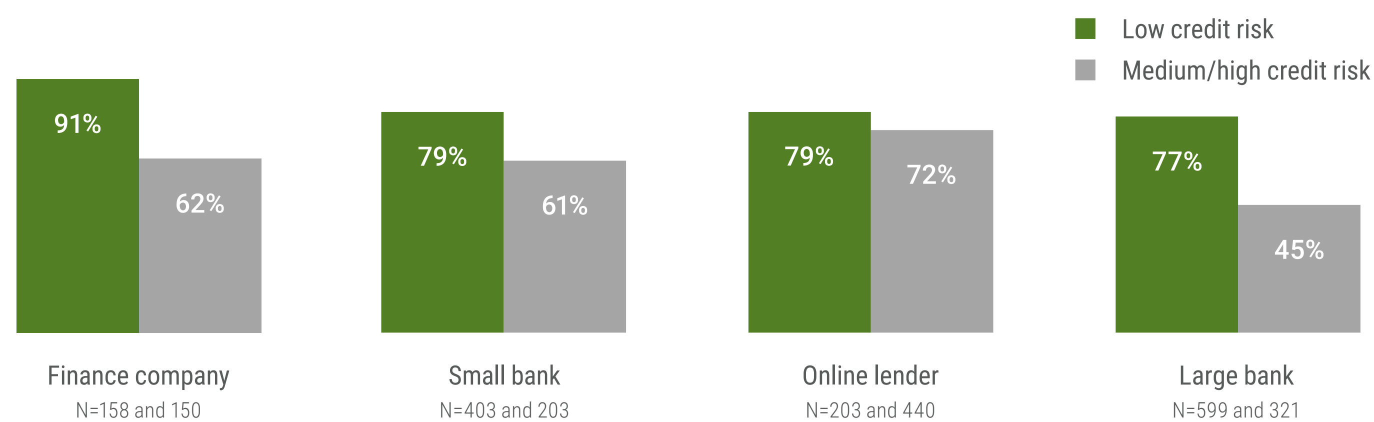
Firms that applied for financing at small banks were more likely than firms that applied at large banks and nonbanks to be fully approved.

OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *By Source, Prior 12 Months*[1,2]
(% of loan, line of credit, and cash advance applicants at source)



Medium- and high-credit-risk firms—that is, firms with weaker credit scores—were more likely to be approved for financing at online lenders than at other sources.

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Credit Risk of Firm, Prior 12 Months*[2,3]
(% of loan, line of credit, and cash advance applicants at source)



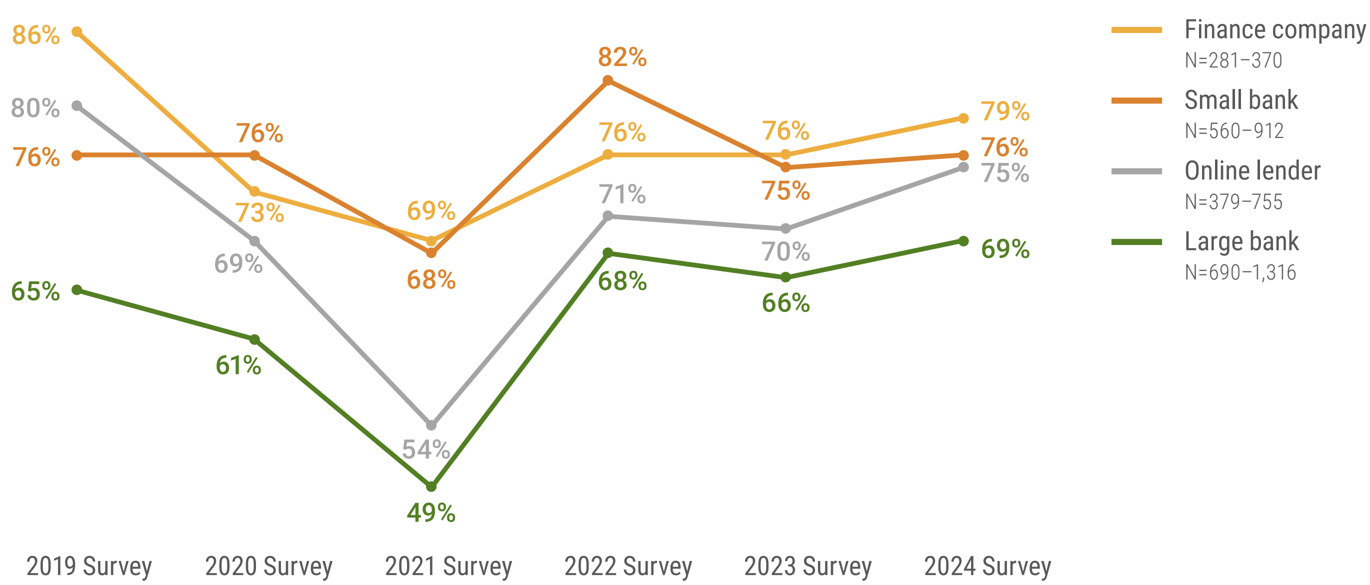
1 *Percentages may not sum to 100 because of rounding.*
2 *Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*
3 *Number of observations varies by credit risk category; number of observations for low-credit-risk applicants is shown first. See Notes and Definitions for details on credit risk definitions used in the SBCS. Credit union and CDFI not shown because of sample size limitations. See Appendix for more details.*

Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATIONS

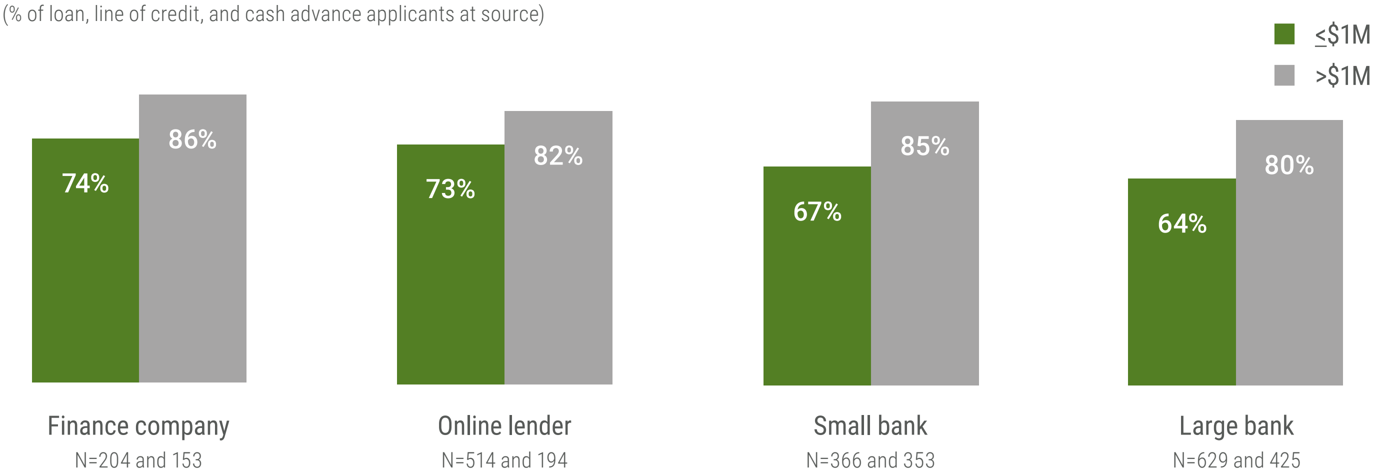
Loan/Line of Credit/Cash Advance Outcomes by Source (Continued)

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED BY SOURCE, *By Survey Year*[1,2]
(% of loan, line of credit, and cash advance applicants at source)



Applicant firms with less than $1 million in annual revenues were more likely to be approved for financing at nonbank lenders than at bank lenders.

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Firm Revenue Size, 2024 Survey*[2,3]
(% of loan, line of credit, and cash advance applicants at source)

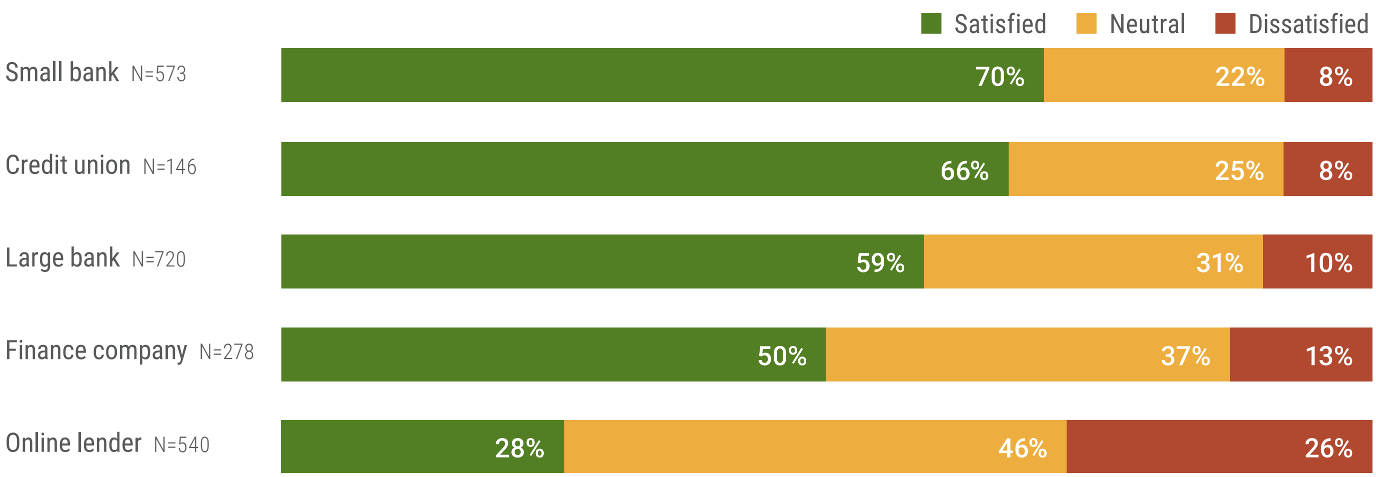


1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from surveys prior to 2022 include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Select lender categories shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.*
3 *Number of observations varies by firm size; number of observations for firms with ≤$1M in annual revenues shown first.*

FINANCING APPLICATIONS
Satisfaction with Lenders

SATISFACTION WITH LENDERS[1,2]

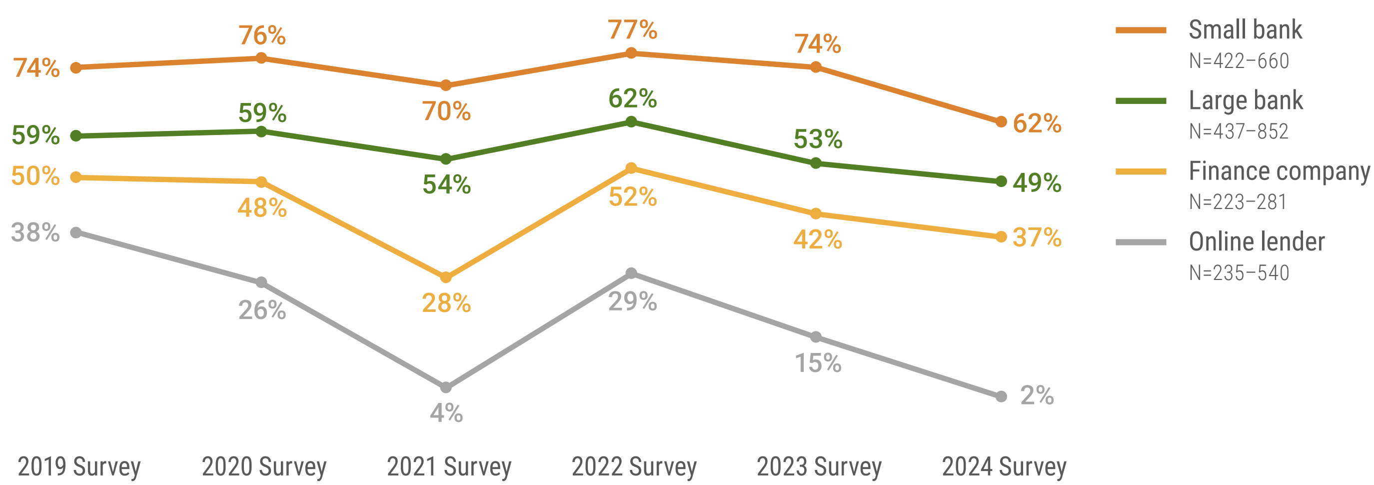
(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)



Net satisfaction with lenders declined for all lender types from 2023. The sharpest decline occurred for online lenders.

NET SATISFACTION, *By Survey Year*[2,3,4]

(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)

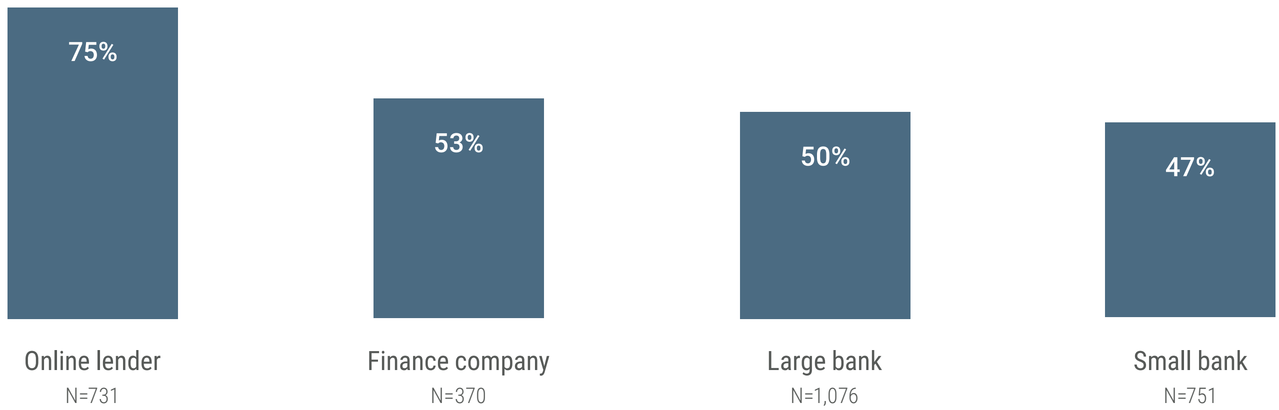


1 *Percentages may not sum to 100 because of rounding. Select lender categories shown. See Appendix for more details.*
2 *See Notes and Definitions for details on lender descriptions used in the SBCS.*
3 *Net satisfaction is the share of firms satisfied minus the share of firms dissatisfied. CDFIs and credit unions are not shown because of insufficient sample sizes in multiple survey years.*
4 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here for surveys prior to 2022 include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for details on time period definitions used in the SBCS.*

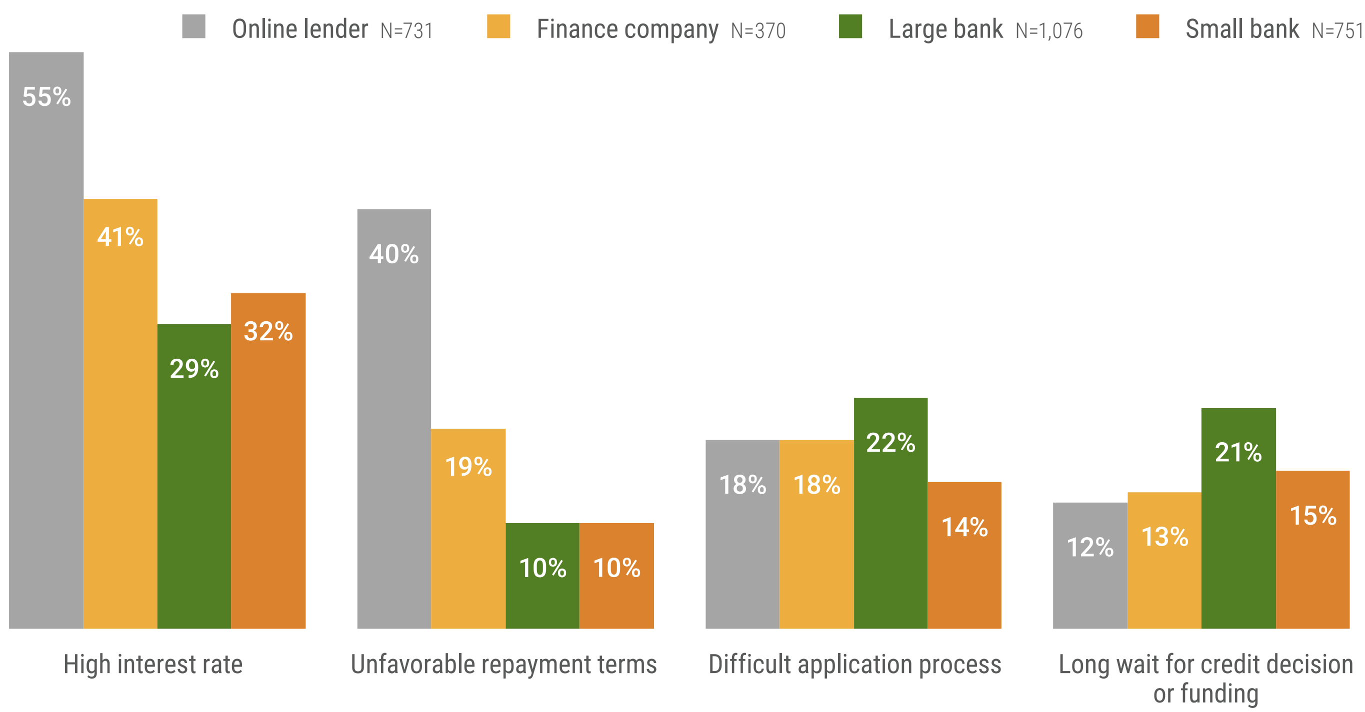
FINANCING APPLICATIONS
Challenges with Lenders

Applicants that seek financing at online lenders were more likely than applicants at other sources to experience challenges with their lender.

SHARE OF APPLICANTS WITH CHALLENGES, *Prior 12 Months*[1]
(% of loan, line of credit, and cash advance applicants at source)



CHALLENGES WITH LENDERS, *Prior 12 Months*[1,2] (% of loan, line of credit, and cash advance applicants at source)



1 *Select lender categories shown. See Appendix for more details. See Notes and Definitions for details on lender descriptions and time period definitions used in the SBCS.*
2 *Respondents could select multiple options. Select response options shown. See Appendix for more details.*

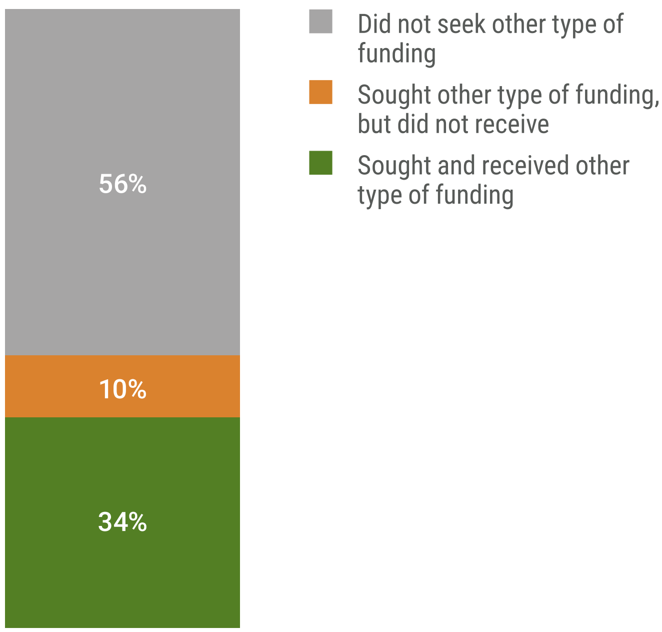
OTHER TYPES OF FUNDING

Funding Sought and Received

Approximately one in three firms received funding other than credit—including funds from the owner(s), loans from family or friends, or grants.

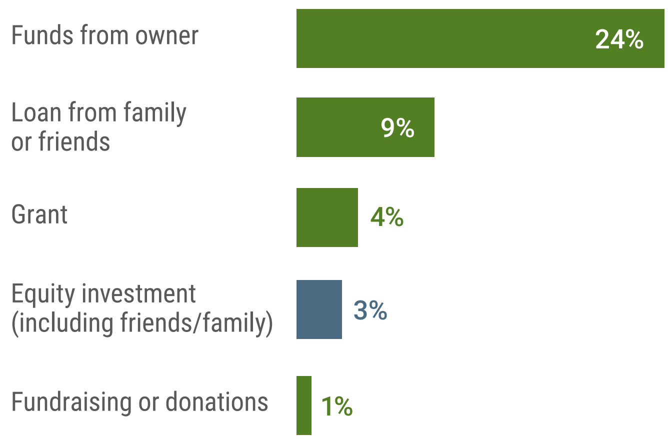
OTHER TYPES OF FUNDING SOUGHT AND RECEIVED, *Prior 12 Months*[1,2,3] (% of employer firms)

N=7,435



OTHER TYPES OF FUNDING RECEIVED, *Prior 12 Months*[3,4] (% of employer firms)

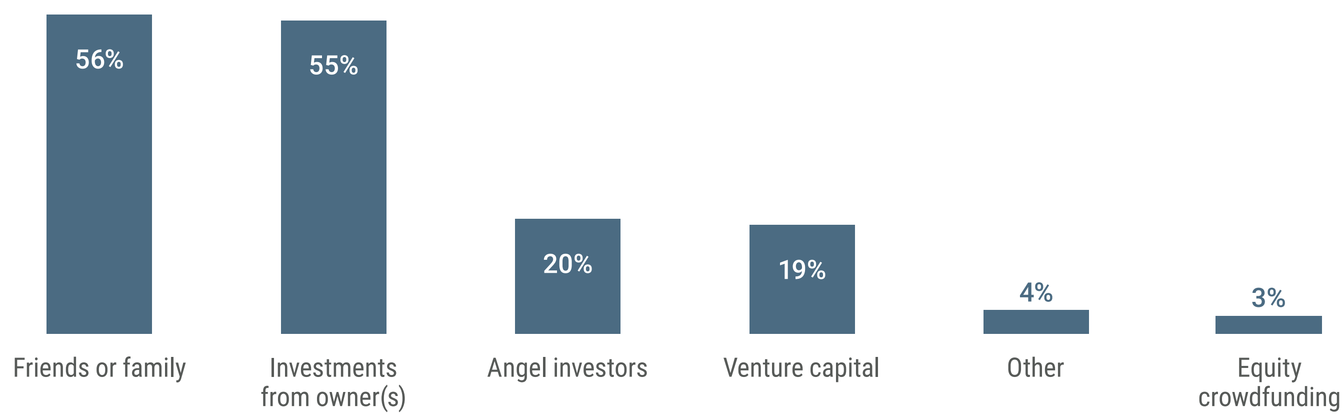
N=7,435



SOURCES OF EQUITY INVESTMENTS, *Prior 12 Months*[3,4]

(% of employer firms that received an equity investment)

N=113



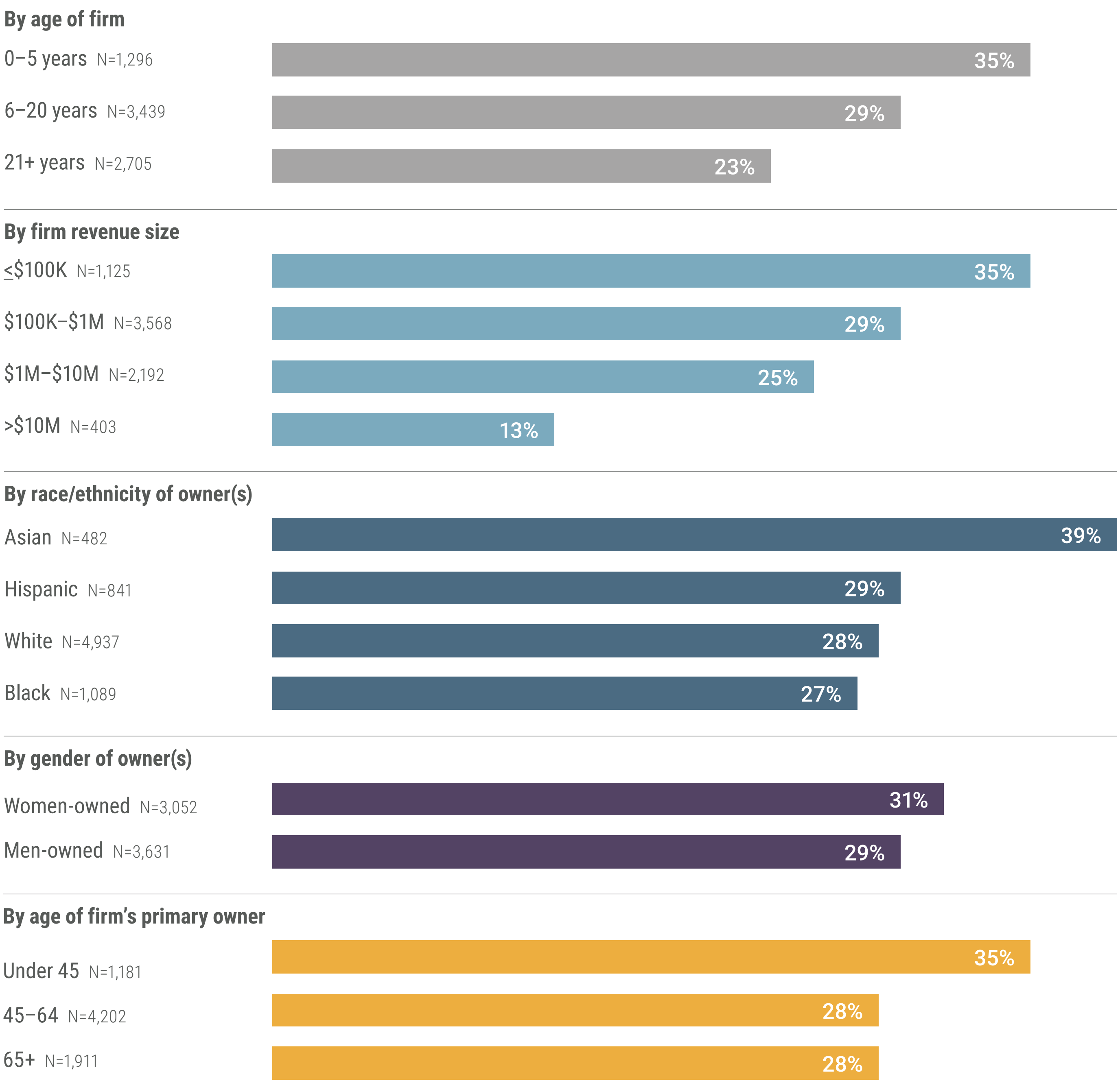
1 *In the 2023 and 2024 SBCS, respondents were instructed in the financing section to exclude funds from personal sources, grants, and equity investments. Questions about these types of funding were asked immediately following the questions about financing.*
2 *Percentages may not sum to 100 because of rounding.*
3 *See Notes and Definitions for details on time period definitions used in the SBCS.*
4 *Prior to the 2023 survey, equity investments were included in the financing section of the questionnaire. Therefore, the 2024 findings related to equity investments should not be compared to findings from past reports. Respondents could select multiple options. Select sources shown. See Appendix for more details.*

Source: Small Business Credit Survey, Federal Reserve Banks

OTHER TYPES OF FUNDING

Use of Personal Funding Sources

SHARE OF FIRMS THAT SOUGHT AND RECEIVED A LOAN FROM FRIENDS AND FAMILY OR FUNDS FROM THE OWNER, *Prior 12 Months*[1] (% of employer firms)



1 *In questions about other types of funding, "Loan from friends and family" and "Funds from owner" were presented as distinct response options. Select firm categories shown. See Appendix for more details. American Indian- and Alaska Native-owned firms not shown because of sample size limitations. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M. See Notes and Definitions for details on time period definitions used in the SBCS.*

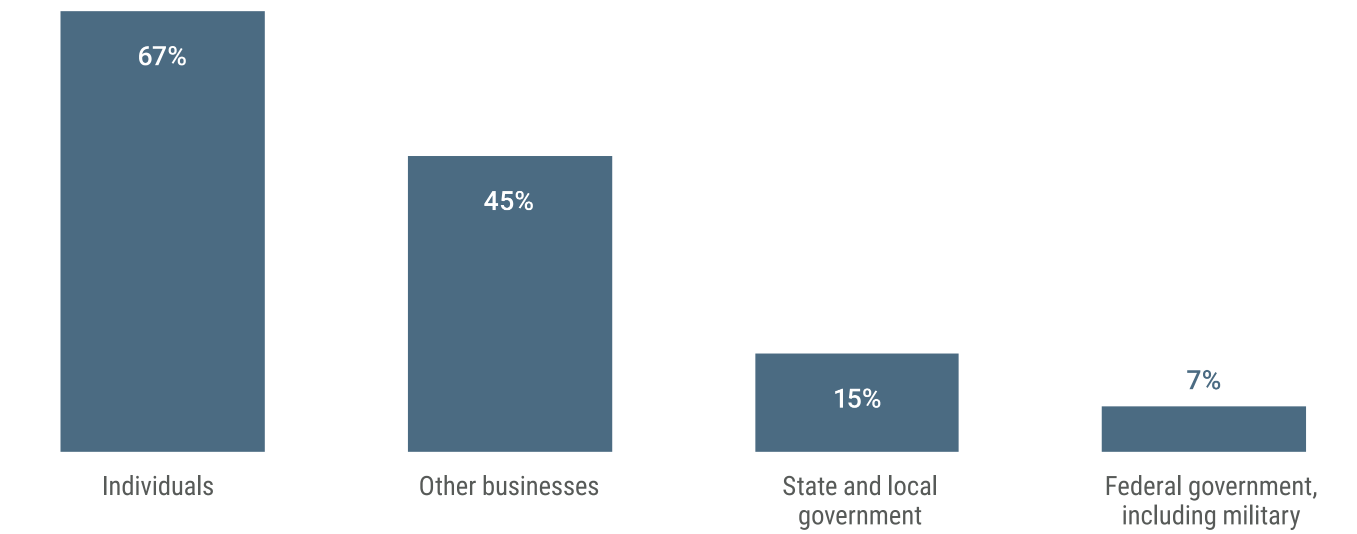
CUSTOMERS

Types of Customers and Distance from Headquarters

Individual customers are not a significant source of sales for one in three firms. The majority of firms serve customers located within 50 miles of their business headquarters.

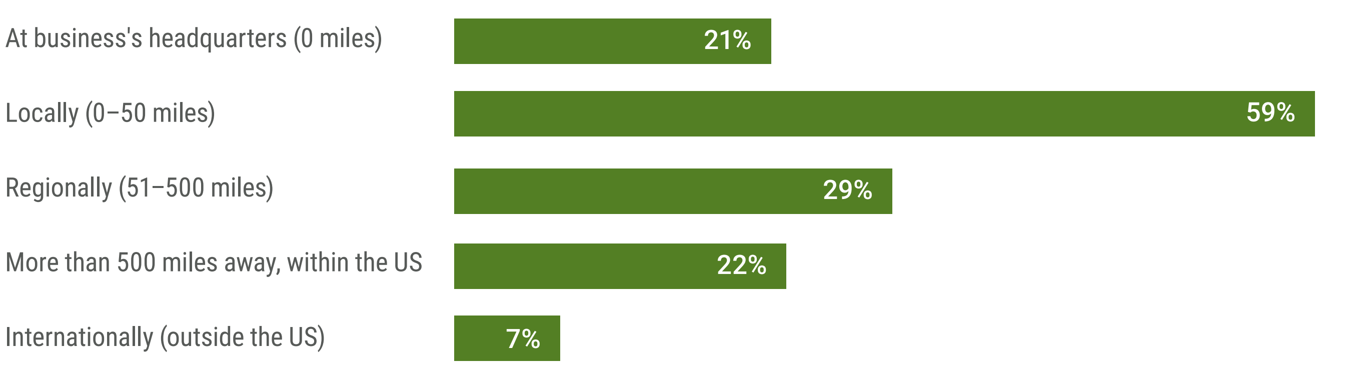
TYPES OF CUSTOMERS ACCOUNTING FOR 10% OR MORE OF BUSINESS'S SALES IN 2023[1,2] N=6,172

(% of employer firms)



DISTANCE FROM HEADQUARTERS THAT BUSINESS DELIVERS PRODUCTS OR RENDERS SERVICES[1,3] N=5,959

(% of employer firms)



1 *Data on customers are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2024). Respondents could select multiple options.*

2 *"Other businesses" includes organizations and distributors; "state and local government" includes school districts and transportation authorities. The question about types of customers was included most recently in the 2018 SBCS. The distribution of responses in 2018 was 67% individuals, 46% other businesses, 16% state and local government, and 9% federal government. "Business did not have any sales" not shown. See Appendix for more details.*

3 *Respondents were asked to consider the types of customers that account for at least 10% of their business's sales when responding. In the SBCS, business headquarters is defined as the location where primary business functions are coordinated.*

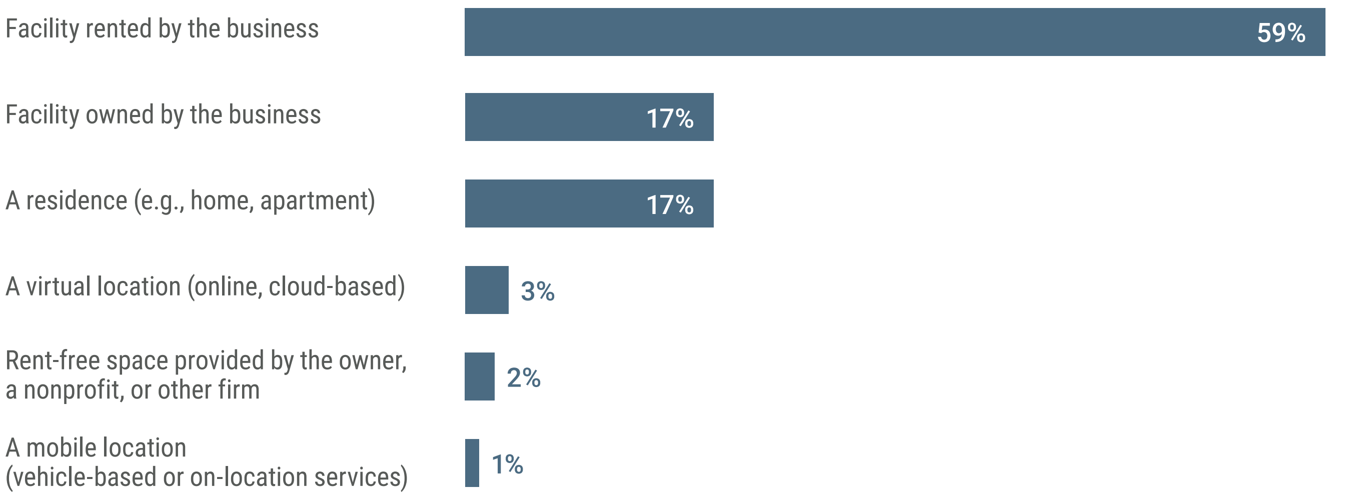
Source: Small Business Credit Survey, Federal Reserve Banks

PHYSICAL SPACE

Types of Physical Space and Recent Relocation

While the shares of firms operating in a rented space, a space they own, and a residence were virtually unchanged since 2019, business relocations became less common.[1]

TYPE OF PHYSICAL SPACE USED AS BUSINESS HEADQUARTERS, *At Time of Survey*[1,2] N=6,131
(% of employer firms)



NUMBER OF TIMES BUSINESS RELOCATED, *Past Five Years, By Survey Year*[2,3] (% of employer firms)

1 *The SBCS most recently included questions about physical space in 2019, and in that survey, 58% used a facility rented by the business, 19% used a facility owned by the business, 17% used a residence, and 5% used another type of space as their business headquarters. In the SBCS, business headquarters is defined as the location where primary business functions are coordinated. Response option "other" not shown. See Appendix for more details.*

2 *In the 2024 survey, data on physical space and relocation are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2024). Percentages may not sum to 100 because of rounding.*

3 *The question about business relocation in the past five years was presented to all respondents regardless of firm age, and the chart reflects all responses. Limiting the sample to firms that were established five or more years ago does not produce significantly different results.*

PHYSICAL SPACE

Relocation Plans and Reasons for Relocation

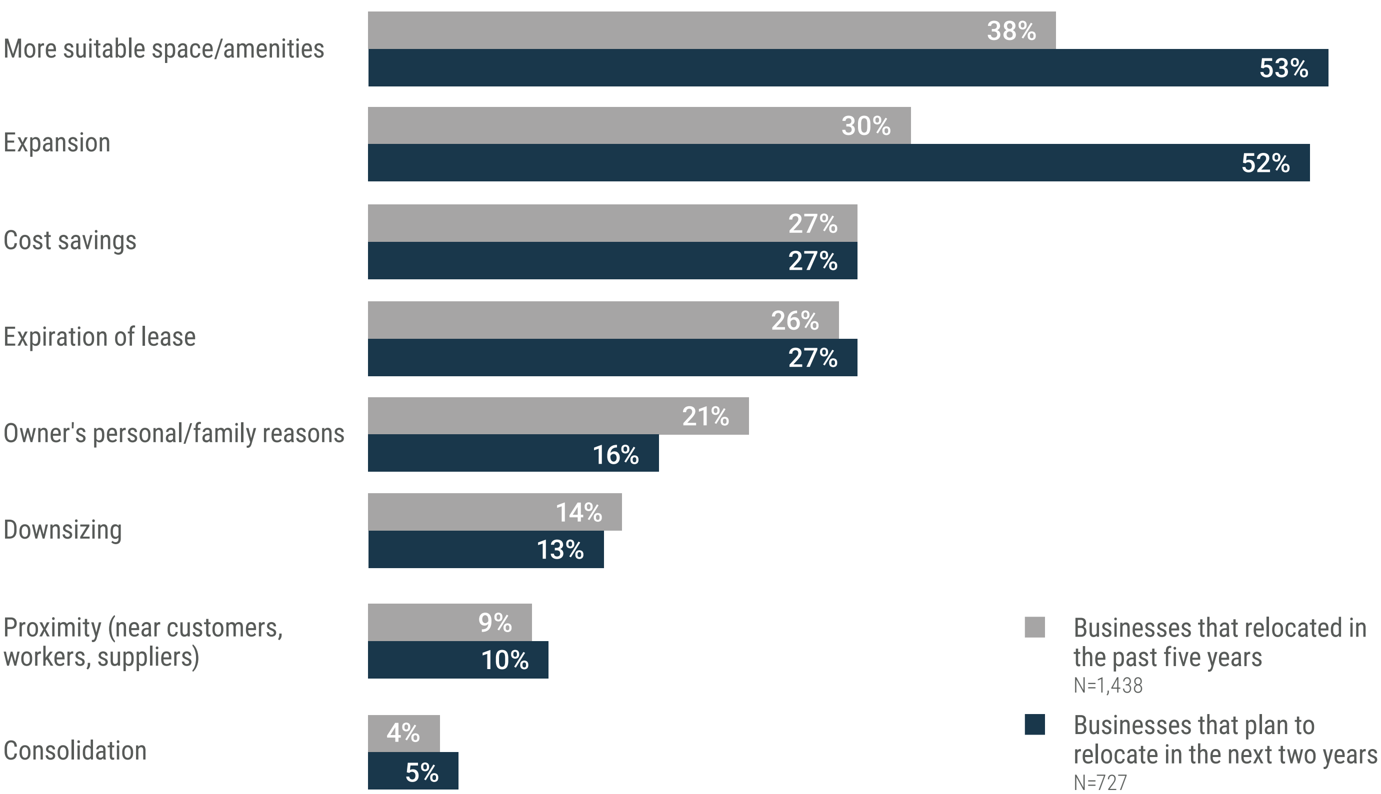
BUSINESS PLANS TO RELOCATE, *Next Two Years*[1,2] (% of employer firms)

N=6,165

Compared to firms that relocated in the past five years, firms that plan to move in the next two years were more likely to cite expansion or the need for more amenities as reasons for their planned moves.

REASONS FOR BUSINESS RELOCATION OR PLANNED RELOCATION[1,3]

(% of employer firms that relocated or plan to relocate)



1 *Data on physical space and relocation are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2024).*
2 *Percentages may not sum to 100 because of rounding.*
3 *Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

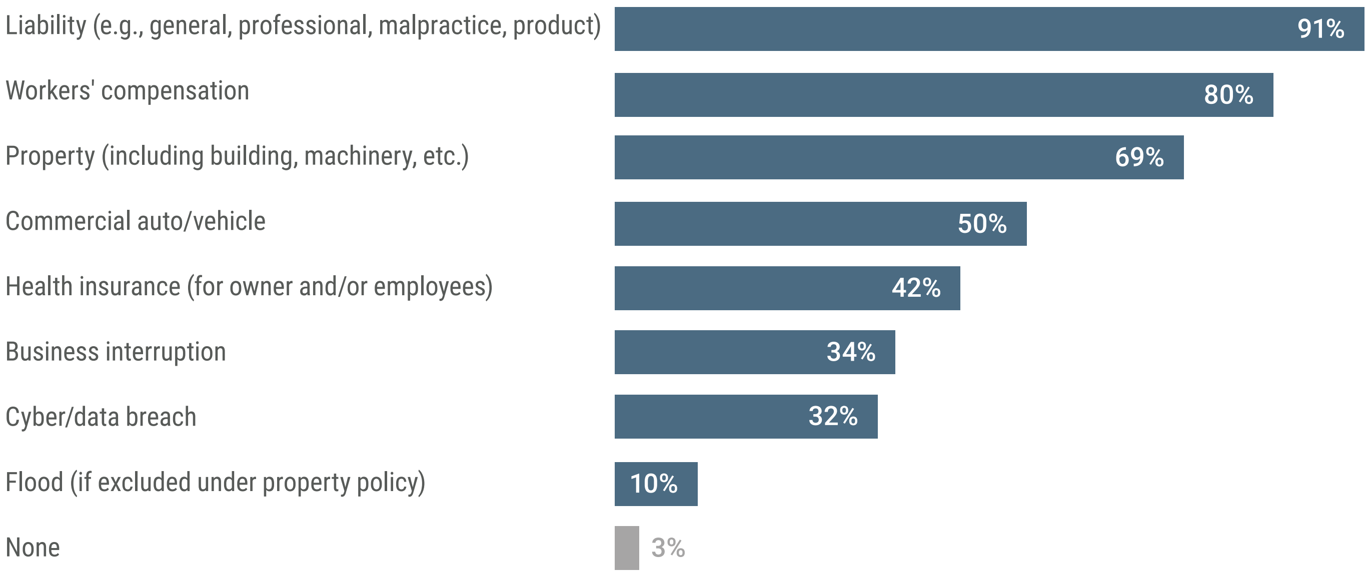
INSURANCE

Types of Insurance Coverage and Challenges

TYPES OF INSURANCE COVERAGE MAINTAINED BY THE BUSINESS, *At Time of Survey*[1,2]

(% of employer firms)

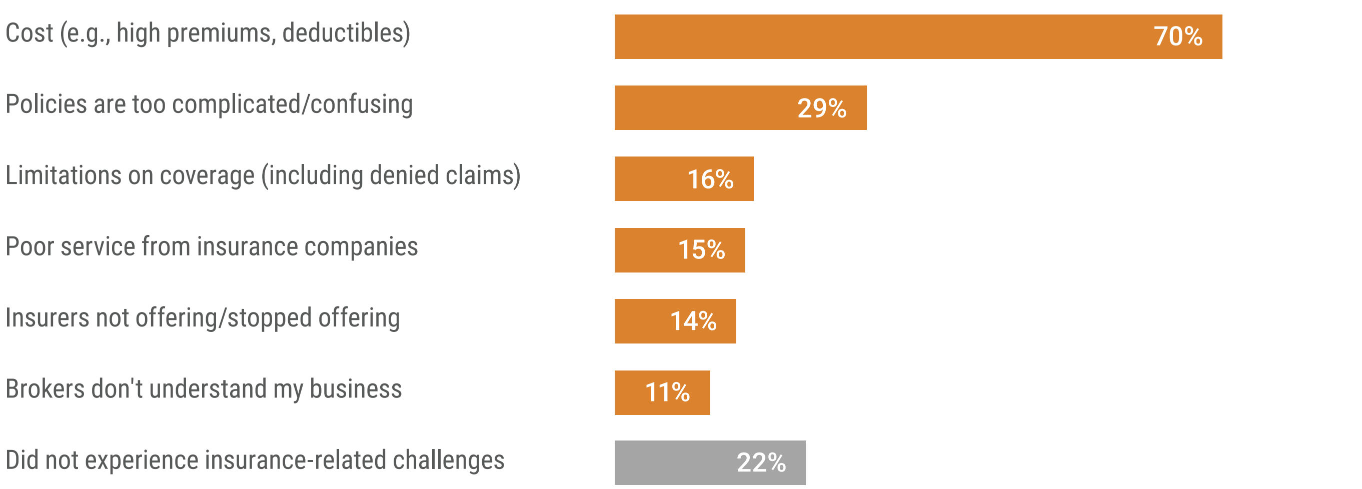
N=6,150



78% of firms reported one or more insurance-related challenges, with cost being the most common.[3]

INSURANCE-RELATED CHALLENGES[1,3] (% of employer firms that carry insurance)

N=6,096



1 *Data on insurance are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2024). Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

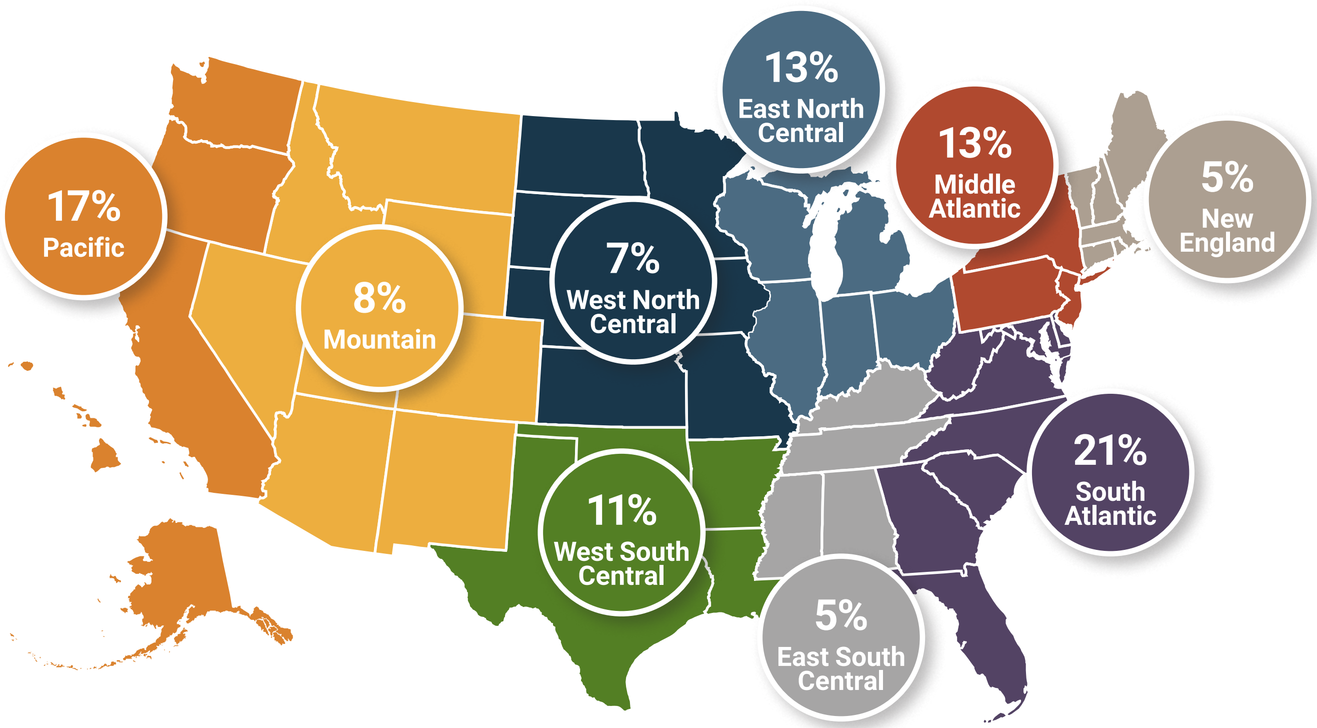
2 *Respondents were instructed to select the options associated with the types of coverage provided if the business carries a policy that combines several types of insurance (e.g., business owner's insurance). See Notes and Definitions for details on time period definitions used in the SBCS.*

3 *Respondents were instructed to exclude health insurance and workers' compensation when responding to the question about insurance-related challenges. The question about insurance-related challenges did not specify a reference time period.*

DEMOGRAPHICS

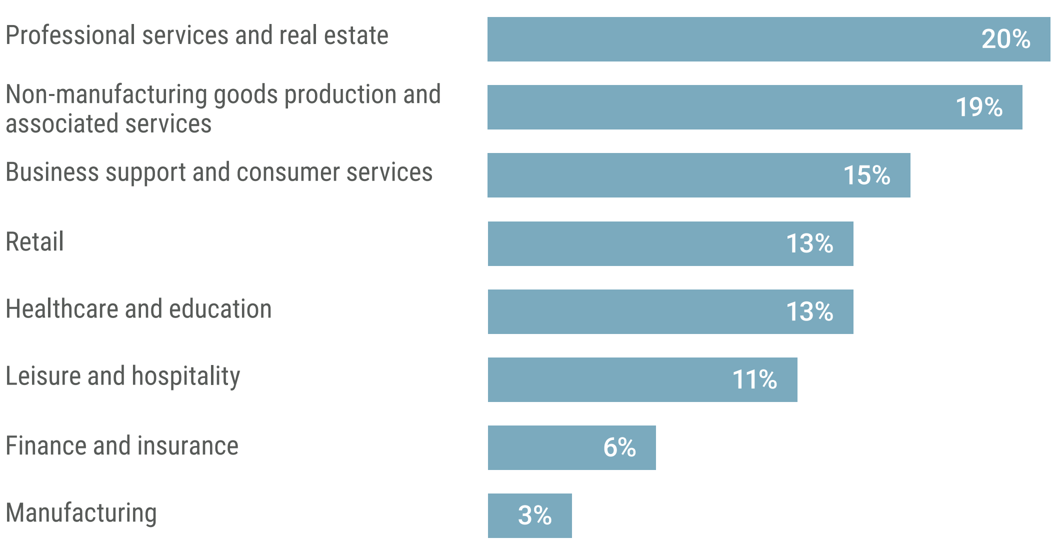
CENSUS DIVISION[1] (% of employer firms)

N=7,653



INDUSTRY[1,2] (% of employer firms)

N=7,653



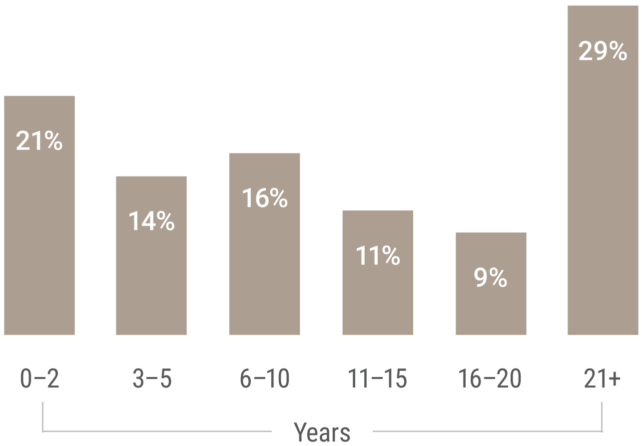
1 *SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. The shares shown in the Demographics section reflect weighted values. For details on weighting, see Methodology. Percentages may not sum to 100 because of rounding.*

2 *The non-manufacturing goods production and associated services category includes industries such as agriculture, construction, wholesale trade, transportation, and warehousing. See Appendix for more details.*

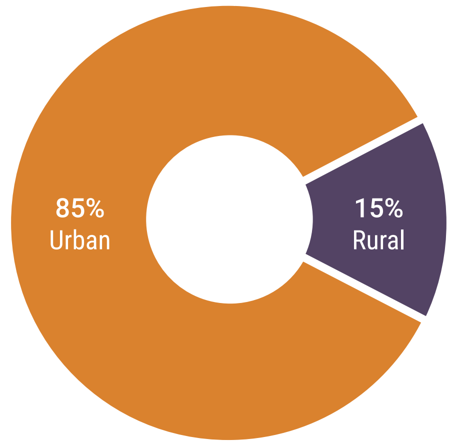
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS
(Continued)

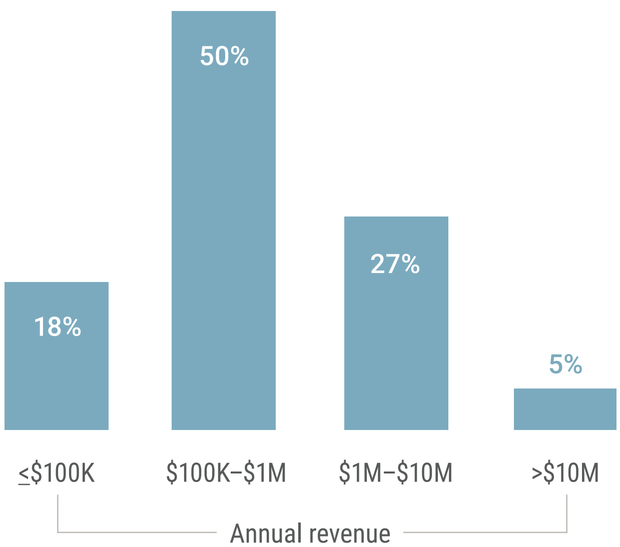
AGE OF FIRM[1,2] (% of employer firms) N=7,653



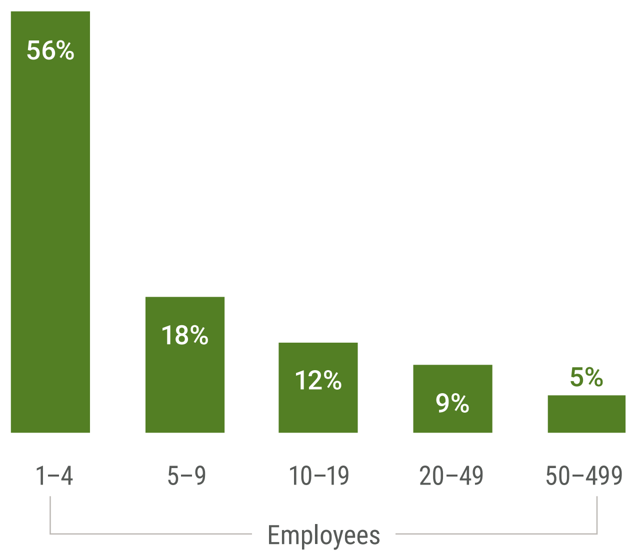
GEOGRAPHIC LOCATION[1,3] (% of employer firms) N=7,653



REVENUE SIZE OF FIRM[2,4] (% of employer firms) N=7,497



NUMBER OF EMPLOYEES[1,2] (% of employer firms) N=7,653

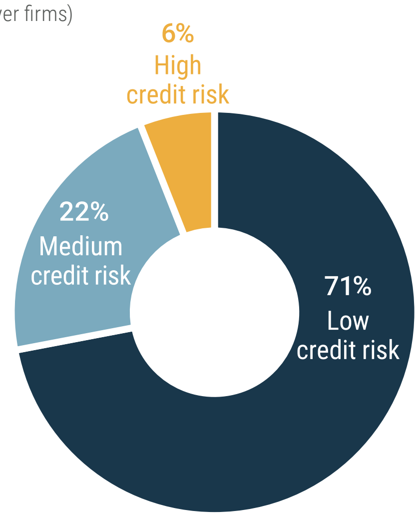


44% of employer firms use **contract workers.**

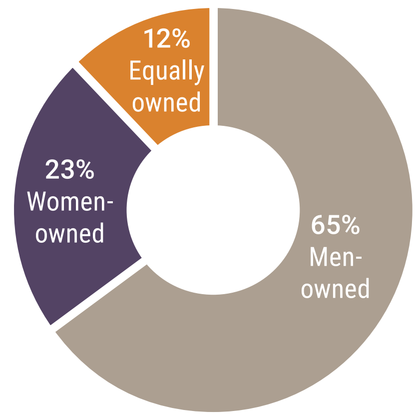
1 *SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.*
2 *Percentages may not sum to 100 because of rounding.*
3 *Urban and rural definitions come from US Department of Agriculture Rural-Urban Commuting Area codes.*
4 *Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M. See Appendix for more details.*

DEMOGRAPHICS
(Continued)

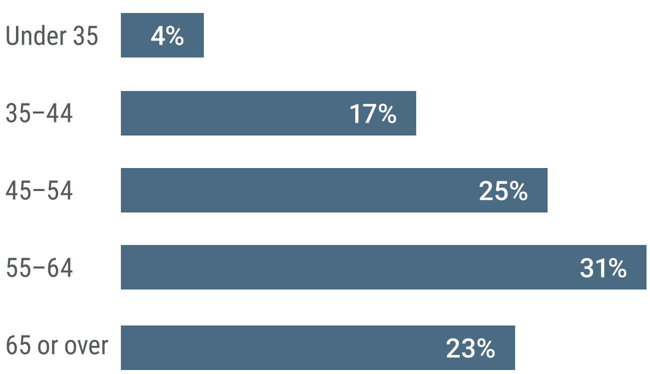
CREDIT RISK OF FIRM[1,2]
N=5,754
(% of employer firms)



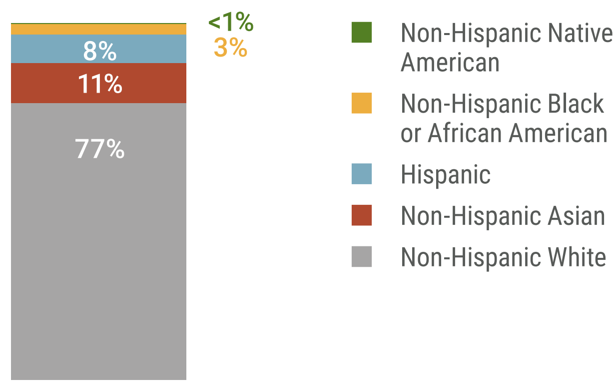
GENDER OF OWNER(S)[2,3]
N=7,653
(% of employer firms)



AGE OF FIRM'S PRIMARY OWNER[2]
N=7,424
(% of employer firms)



RACE/ETHNICITY OF OWNER(S)[2,3]
N=7,653
(% of employer firms)



20% of employer firms are at least partially owned by an **immigrant**

16% of employer firms are at least partially owned by a **veteran**

8% of employer firms are at least partially owned by a member of the **LGBTQ community**

11% of employer firms are at least partially owned by a person with a **disability**[4]

1 See Notes and Definitions for details on credit risk definitions used in the SBCS.
2 Percentages may not sum to 100 because of rounding.
3 SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.
4 The Americans with Disabilities Act defines an individual with a disability as a person who has a physical or mental impairment that substantially limits one or more major life activities. The SBCS questionnaire includes this definition as part of the question about owner disability.

Source: Small Business Credit Survey, Federal Reserve Banks

METHODOLOGY

DATA COLLECTION

The SBCS uses a convenience sample of establishments. A diverse set of partner organizations that serve the small business community contact businesses in their networks to invite participation in the survey.[1] The Federal Reserve Banks also directly contact prior SBCS participants and other small businesses from a variety of email lists.[2] The survey instrument is an online questionnaire that typically takes 8 to 12 minutes to complete, depending on the intensity of a firm's search for financing. The questionnaire uses question branching and flows based on responses to survey questions. For example, financing applicants receive a different line of questioning than nonapplicants. Therefore, the number of observations for each question varies by how many firms receive and complete a particular question.

WEIGHTING

The sample for the SBCS is not selected randomly; thus, the SBCS may be subject to biases that random sample surveys would not be subject to. For example, there are likely small employer firms that are not on our contact lists, a situation which could lead to noncoverage bias. To control for some known potential biases, we weight the sample data so that the weighted distribution of firms in the SBCS matches the distribution of the small firm (1 to 499 employees) population in the United States by number of employees, age, industry, geographic location (census division and urban or rural location), gender of owner(s), and race or ethnicity of owner(s).

For this report and analysis, we first limit the sample in each year to only employer firms.[3] We then post-stratify respondents by their firm characteristics.[4] Using a statistical technique known as "raking," we compare the share of businesses in each category of each stratum (for example, within the industry stratum, the share of firms in the sample that are manufacturers) to the share of small businesses in the nation in that category. As a result, underrepresented firms in the convenience sample are up-weighted and overrepresented firms are down-weighted. We iterate this process several times for each stratum to derive a sample weight for each respondent. This weighting methodology was developed in collaboration with the National Opinion Research Center (NORC) at the University of Chicago. See Table 1 for sources of population distribution estimates used to construct the weights.

We are unable to obtain exact estimates of the combined racial and ethnic ownership of small employer firms for each state or at the national level. To derive these figures, we assume that the state-level distribution of small employer firm owners' combined race and ethnicity matches the state-level distribution of these characteristics among owners of firms of all sizes. Given that small employer firms represent 99.7% of establishments with paid employees, we expect these assumptions align relatively closely with the true population.[5]

Table 1. Weighting Sources and Strata

Source	Year	Weighting variable	Strata
US Census Bureau Business Dynamic Statistics (BDS)	2022	Age	0–2 years, 3–5 years, 6–10 years, 11–20 years, 21+ years
US Census Bureau Annual Business Survey (ABS)	2022	Race/ethnicity	Hispanic, non-Hispanic Asian, non-Hispanic Black or African American, non-Hispanic Native American, non-Hispanic white
		Gender	Equally owned by men and women, men-owned, women-owned
US Census Bureau County Business Pattern (CBP)	2022	Industry	Business support and consumer services, finance and insurance, healthcare and education, leisure and hospitality, manufacturing, nonmanufacturing goods production and associated services, professional services and real estate, retail
		Geography	Rural, urban
		Firm size	1–4 employees, 5–9 employees, 10–19 employees, 20–49 employees, 50–499 employees

1 *For more information on partnerships, please visit www.fedsmallbusiness.org/partnership.*
2 *For the 2024 survey, we contacted businesses on state-maintained procurement vendor lists, the Equifax Commercial Marketing Database sourced from Capital IQ, and the ZoomInfo B2B Database.*
3 *Weights for nonemployer firms are computed separately, and a separate report that includes data from the sample of nonemployer firms is generally issued annually.*
4 *See Appendix for census divisions, industry definitions, and urban and rural definitions. USDA Rural-Urban Commuting Area codes are used to classify ZIP codes as urban or rural.*
5 *US Census Bureau, County Business Patterns, 2022.*

METHODOLOGY

RACE/ETHNICITY AND GENDER IMPUTATION

Not every respondent provided complete information on the gender, race, and/or ethnicity of their business's owner(s). We need this information to correct for differences between the sample and the population data. To avoid losing these observations, we use a series of statistical models to impute the missing data. Generally, when the models predict a given characteristic with an accuracy rate of around 80% in out-of-sample tests, we use the predicted values from the models for the missing data.[6] When the model's predictive power is below that threshold, those data are not imputed, and the responses are dropped. After the models impute the data, we compare descriptive statistics of key survey questions with and without imputed data to ensure robustness of estimates. In the final sample, 3.6% of employer firm observations have imputed values for the gender, race, or ethnicity of a firm's ownership.

COMPARISONS TO PAST REPORTS

The SBCS has been administered nationally and on an annual basis since 2016. In the intervening years, minor adjustments have been made to the weighting methodology; therefore, the time series data in this report use "time-consistent" weights.[7] Additionally, changes to the questionnaire necessitate harmonization of data for comparison purposes.[8] Because of these factors, statistics shown in this report that are from earlier survey years may vary from those presented in past SBCS reports. For summaries of methodological changes in prior survey years, please refer to the Methodology sections of the Report on Employer Firms in each respective year. No material methodological changes were made to the 2024 survey.

CREDIBILITY INTERVALS AND STATISTICAL TESTS

Credibility intervals are an important component of the analysis in this report. Where there are large differences in estimates between types of businesses or survey years, we perform additional checks on the data to determine whether such differences are statistically significant. The combination of the results of these tests and several logistic regression models helped us guide our analysis and decide on which variables to include in the report. To determine whether differences are statistically significant, we develop credibility intervals using a balanced half-sample approach. Because the SBCS does not come from a probability-based sample, the credibility intervals we develop should be interpreted as model-based measures of deviation from the true national population values.[9] We list 95% credibility intervals for key statistics in Table 2. The intervals shown apply to all employer firms in the survey. More granular results with smaller observation counts will generally have larger credibility intervals.

Table 2. Credibility Intervals for Key Statistics in the *2025 Report on Employer Firms*

	Percent	Credibility Interval (Percent)
Share that applied for a loan, line of credit, or cash advance	36.8	+/- 1.6
Share with outstanding debt	71.4	+/- 1.1
Loan/line of credit and cash advance approval rate	79.5	+/- 2.7
Share of firms with revenue growth in prior 12 months	37.7	+/- 2.0
Share of firms operating at a profit	46.3	+/- 1.8

6 *Out-of-sample tests are used to develop thresholds for imputing the missing information. To test each model's performance, half of the sample of nonmissing data is randomly assigned as the test group, while the other half is used to develop coefficients for the model. The actual data from the test group are then compared with what the model predicts for the test group. On average, predicted probabilities that are associated with an accuracy rate of around 80% are used, although this varies slightly, depending on the number of observations that are being imputed.*

7 *For more information on the methodological changes to the "time-consistent" weights, please refer to the Methodology section of the 2019 Report on Employer Firms.*

8 *For example, beginning with the 2022 survey, details on firms' experiences with lenders were collected for only the two most recent applications rather than for the three most recent. For comparison purposes, percentages shown in this report from earlier surveys consider only the firms' two most recent applications; therefore, percentages may vary from past reports.*

9 *American Association for Public Opinion Research. Task Force on Non-probability Sampling. 2013.*