

Covid-19 Small Business Survey (11)

PPP, EIDL, Unemployment Insurance, the Economy

NFIB Research Center

August 17-18, 2020

The NFIB Research Center has published a series of Covid-19 related surveys assessing the health crisis impact on small business operations, economic conditions, and utilization of the targeted small business loan programs. This publication marks NFIB's 11th Small Business Covid-19 survey. The first of the series was published in early March with subsequent publications every 2-3 weeks.

The Paycheck Protection Program (PPP) loan application window closed August 8th with Congress now negotiating additional support for small business owners most negatively impacted by the health crisis. Congress first extended the deadline from June 30th allowing a few more weeks for small business owners to participate. The extension was helpful for those who had not realized they were eligible for the program or reconsidered their earlier decision to not apply. However, most small business owners applied early on as the number of borrowers has changed little over the last two months. There is bipartisan support for allowing some small business owners to apply for a second PPP loan.

Seventy-eight percent of respondents applied for a PPP loan and almost all of them were approved. Most PPP loan borrowers (81%) applied for the loan through the financial institution that they normally use for business purposes, 19% used a different one. More than one-third (36%) of PPP loan borrowers used a separate bank account specifically for the PPP loan fund.

Most borrowers (84%) have now used their entire loan, up from 71% in late July. The 16% still using their loan are likely not far behind. The next step after using the loan is applying for loan forgiveness. Borrowers are now waiting for lenders to start accepting loan forgiveness applications. The SBA has recently issued processing instructions which will allow lenders to start processing forgiveness applications. Borrowers will complete one of two forgiveness applications, the original long form or the 3508EZ form. Thankfully, most borrowers will likely be able to complete the EZ form, reducing the amount of time and resources owners would otherwise be required to use to fill out the longer form. Even so, many small business owners still find the EZ form complicated and confusing. For those required to fill out the long form, the process can be daunting. More and more PPP loan borrowers are realizing that they are eligible to use the EZ. About 43% plan to use the EZ form (up from 34% last month) and another 62% are not sure yet which to fill out. Four percent have determined that they will have to use the longer forgiveness application form.

The Economic Injury Disaster Loan (EIDL) is the other small business targeted loan program facilitated through the Small Business Administration (SBA). Thirty-five percent of respondents have applied for an EIDL loan, generally unchanged for the past few months. Nearly three-

quarters (74%) were approved for a loan and 9% were denied. About 18% still have not heard yet about the status of their loan application. Of those who applied for an EIDL loan, 22% of loan applicants are “very satisfied” with the EIDL program overall and another 44% were “satisfied.” Over one-third of applicants were less than satisfied with 19% reporting that they are somewhat satisfied and 18%, not satisfied.

The PPP loan program proved to be very helpful for most loan borrowers in providing financial support through the beginning months of the health crisis. However, many borrowers found the program’s terms and conditions complicated and confusing, especially in terms of loan forgiveness. But still, 31% of PPP loan borrowers are “very satisfied” with the program overall and another 45% are “satisfied.” Just one-in-five were “somewhat satisfied” and another 4% “not at all satisfied,” most of whom applied but were not approved for a loan. Almost one-quarter of PPP loan borrowers (23%) have or anticipate having to lay off employees in the next six months after using the loan, generally unchanged from late July when it was 21%. Almost half (47%) of PPP loan borrowers also anticipate needing additional financial support over the next 12 months, generally unchanged from previous surveys. Congress is currently negotiating additional support for those small businesses most negatively impacted by the crisis. If eligible, 44% of small business owners would apply or re-apply for second PPP loan, another 31% would consider applying for one.

The health crisis severely impacted most small businesses at the onset, but the economic recovery has been less uniform since then. Sales levels are still 50% or less than they were pre-crisis for about one-in-five (22%) small businesses with another 28% at sales levels of 50-74% from pre-crisis. Half (50%) are nearly back to where they were with some (14%) exceeding pre-Covid sales levels.

Economic conditions are putting significant stress on the financial health of many small business owners struggling to balance lower sales with fixed expenses, and longer-term sustainability. About one-in-five (21%) of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months. Another 19% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions. Over half (61%) are better situated and do not anticipate any near-term problems.

As in earlier surveys, most small business owners do not expect business conditions to improve to normal levels until next year at the earliest. Just 19% of owners anticipate conditions improving to normal levels by the end of the year, 6% say that conditions are back to normal now. Over half (52%) of owners anticipate it taking until sometime in 2021 and 20%, sometime in 2022. Nine percent are less optimistic and expect condition not to fully improve until after 2022.

The CARES Act provided additional financial assistance of \$600 per week supplemental unemployment insurance benefit through July 31 for people who filed jobless claims. The \$600

per week UI program ended July 31st and now Congress is negotiating to extend the program but likely for a less generous amount. While this benefit helps support those who have no immediate job prospects, it has presented a significant challenge to some small business owners trying to fill open positions. About one-third (32%) of small business owners reported that the extra \$600 per week has hurt their business by making it harder to hire or re-hire workers. However, the UI program also helped support consumer spending and 9% of owners felt they benefited from the program's \$600 per week by putting more money in their customers' pockets. Another 34% said that it did not impact their business either way and 24% didn't know.

Other UI supplemental impacts to small business owners include 3% of owners reporting that they had to offer a higher wage to encourage a worker to come back to their job, and 4% reported having an employee agree to continue working but only with reduced hours in order to also receive the \$600 per week benefit. Three percent also reported that they received the benefit themselves.

Increased liability related to Covid-19 is a concern for many small business owners as they navigate the health crisis in operating their business. Small business owners have to manage the health and safety of both their employees and customers in addition to managing the normal day-to-day business operations. The threat of legal action against their business is a serious concern for 21% of small business owners and a moderate concern for another 34% of owners. Just under one-third (31%) are not too concerned and 14% are not at all concerned, likely due to limited contact with the general public or having few employees, if any.

About one-in-five (21%) small employers have had an employee take Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA), up from 13% in the May 29 survey. However, only 30% of them have claimed the tax credit or an advance refund for reimbursement of those costs, unchanged from three months ago.

The adverse economic impact of the health crisis on small businesses continues. It has been about six months from the onset of the health crisis and many small businesses are still struggling to survive. Others have emerged okay and some have exceeded pre-covid sales levels due to shifts in consumer spending. The health crisis is not impacting small businesses equally but the abrupt shifts in consumer spending, managing consumer and employees' health and safety, and complying with new mandates are creating added stress for most small business owners.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on August 17-18, 2020. NFIB collected 562 responses.

Questionnaire

08-17-2020

Q1 Have you submitted an application for a Paycheck Protection Program (PPP) loan?

78% 1. Yes

22% 2. No

Q2 Was your application approved, denied, or have you not heard yet either way?

96% 1. Approved

2% 2. Denied

2% 3. Haven't heard

Q3 Has the PPP loan been deposited to your bank account yet?

99% 1. Yes

1% 2. No

Q4 Did you keep (or are you keeping) your original 8-week covered period or extending your covered period to 24-weeks?

37% 1. 8-weeks

40% 2. 24-weeks

23% 3. I don't know

Q5 Have you spent all of your loan funds yet?

84% 1. Yes

16% 2. No

Q6 Did you or do you plan to use the EZ forgiveness application or the longer application?

43% 1. EZ application

8% 2. Long application

50% 3. I don't know

Q7 Have you submitted an application for PPP loan forgiveness yet?

7% 1. Yes

93% 2. No

Q8 After using your PPP loan, have you or do you anticipate having to lay off any employees in the next 6 months?

23% 1. Yes

77% 2. No

Q9 Do you or did you have a separate bank account specifically for the PPP loan?

36% 1. Yes
64% 2. No

Q10 Did you receive the PPP loan from the bank you normally use for your business?

81% 1. Yes
19% 2. No

Q11 Do you anticipate needing additional financial support over the next 12 months?

47% 1. Yes
53% 2. No

Q12 If Congress extends PPP through the end of the year and your business was eligible to receive a second PPP loan (or first time borrower), would you re-apply / apply?

44% 1. Yes
25% 2. No
31% 3. Maybe

Q13 If you applied for PPP, how satisfied are you with the program overall?

31% 1. Very satisfied
45% 2. Satisfied
20% 3. Somewhat satisfied
4% 4. Not satisfied

Q14 Have you submitted an application for an SBA Economic Injury Disaster Loan (EIDL)?

35% 1. Yes
65% 2. No

Q15 Was your application approved, denied, or have you not heard yet either way?

74% 1. Approved
9% 2. Denied
18% 3. Haven't heard

Q16 Has the EIDL loan been deposited to your bank account yet?

78% 1. Yes
22% 2. No

Q17 Did you request the EIDL Emergency Grant? (\$1,000 per employee, up to \$10,000)

86% 1. Yes
10% 2. No
4% 3. I don't know.

Q18 Has the EIDL Emergency Grant been deposited to your bank account yet?

89% 1. Yes

11% 2. No

Q19 If you applied for EIDL, how satisfied are you with the program overall?

22% 1. Very satisfied

44% 2. Satisfied

19% 3. Somewhat satisfied

18% 4. Not satisfied

Q20 Has your business been directly impacted by the \$600/week supplemental UI payments?

69% 1. No, no direct impact.

10% 2. Yes, furloughed / laid-off employee has declined a job offer at my business because they wanted to stay on UI for the additional \$600/week payments.

4% 3. Yes, employee agreed to continue working at my business, but only with reduced hours in order to also receive the \$600/week UI payments.

3% 4. Yes, I had to offer a higher wage to encourage a worker to come back to their job.

3% 5. Yes, I personally received the additional \$600/week UI payments.

10% 6. Other _____

Q21 Which of the following statements most closely represents your views on enhanced unemployment benefits?

32% 1. The extra \$600/week payments hurt my business by making it harder to hire / re-hire.

9% 2. The extra \$600/week payments helped my business by putting more money in my customers' pockets.

34% 3. The extra \$600/week payments did not impact my business either way.

24% 4. Not sure

Q22 Have any of your employees taken Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA)?

21% 1. Yes

79% 2. No

Q23 If yes, have you claimed the tax credit (or an advance refund) for reimbursement of those costs?

30% 1. Yes

70% 2. No

Q24 How concerned are you about Covid-19 related increased liability against your business by an employee or customer?

21% 1. Very concerned

34% 2. Moderately concerned

31% 3. Not too concerned

14% 4. Not at all concerned

Q25 How does your current sales volume compare to pre-crisis levels?

- 14% 1. More than 100% of pre-crisis level
- 36% 2. 76%-100% of pre-crisis level
- 28% 3. 51%-75% of pre-crisis level
- 13% 4. 26%-50% of pre-crisis level
- 7% 5. 1%-25% of pre-crisis level
- 2% 6. My business is currently closed

Q26 How long do you think it will take before your local community is back to a normal level of economic activity?

- 6% 1. It is now
- 13% 2. By the end of 2020
- 52% 3. Sometime in 2021
- 20% 4. Sometime in 2022
- 9% 5. 2023 or later

Q27 How long will you be able operate your business under current economic conditions?

- 2% 1. Less than 1 month
- 3% 2. 1-2 months
- 16% 3. 3-6 months
- 19% 4. 7-12 months
- 61% 5. More than 12 months

Q28 Has your business adopted any of the following business practices due to the pandemic? (select all that apply)

- 14% 1. Increase dependence on online sales
- 16% 2. Increase use of electronic payments instead of cash
- 21% 3. Offer curbside pickup
- 16% 4. Offer different products/services
- 57% 5. None of the above

Q29 Which of the following forms of financing have you used in response to economic disruptions created by the health crisis? (select all that apply)

- 76% 1. PPP loan
- 23% 2. EIDL loan
- 27% 3. EIDL advance
- 25% 4. Personal savings
- 13% 5. Personal credit card
- 27% 6. Business credit card
- 8% 7. Business term loan (excluding PPP, EIDL or other public financing program)
- 22% 8. Line of credit

Q30 Please classify your major business activity, using one of the categories of examples below.

- 16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 13% 2. Manufacturing and mining
- 3% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 4% 4. Wholesale
- 17% 5. Retail
- 4% 6. Restaurants
- 9% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 5% 8. Financial, insurance, real estate
- 20% 9. Services (auto repair, house cleaning, salon, etc.)
- 7% 10. Professional services (attorney, physician, skilled nursing, etc.)
- 2% 11. Other (please describe) _____

Q31 Number of Employees

- 7% 1. No employees
- 13% 2. 1-2 employees
- 24% 3. 3-5 employees
- 19% 4. 6-9 employees
- 20% 5. 10-19 employees
- 13% 6. 20-49 employees
- 4% 7. 50-199 employees
- 1% 8. 200 or more employees