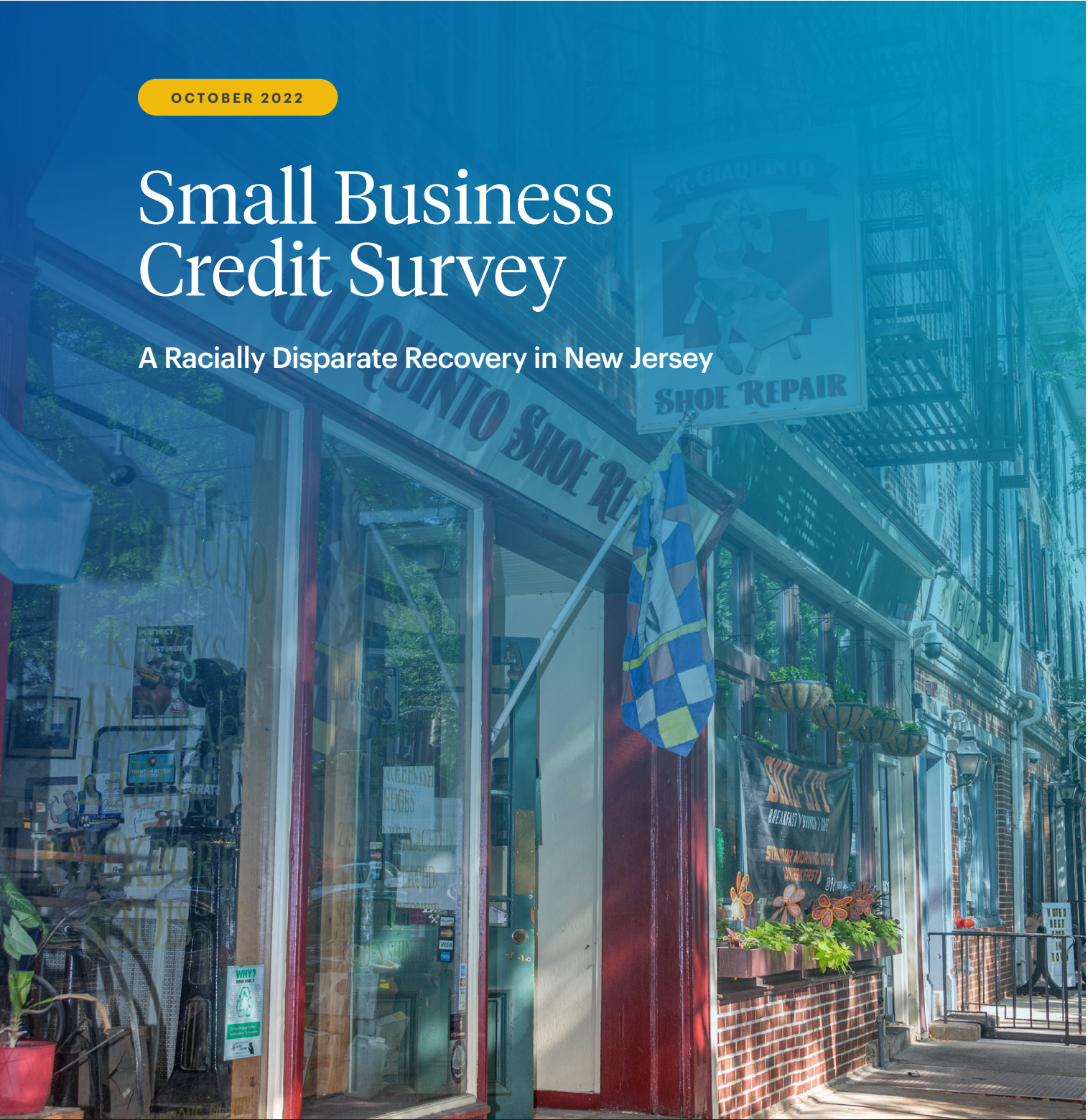


OCTOBER 2022

Small Business Credit Survey

A Racially Disparate Recovery in New Jersey



COMMUNITY DEVELOPMENT AND REGIONAL OUTREACH

Alaina Barca, Research Analyst

Key Findings

- Overall conditions for New Jersey small businesses improved in 2021 relative to 2020. However, most firms had still not recovered to prepandemic conditions and were still in need of financial assistance.
- New Jersey small businesses owned by people of color were disproportionately struggling to make ends meet in 2021 while also being less likely to apply for and receive many forms of emergency financing, less likely to receive forgiveness on 2020 Paycheck Protection Program (PPP) loans, and more likely to use personal funds to address financial challenges.
- Compared with White-owned firms, more firms owned by people of color expressed negative sentiments of financial institutions or products, including doubts of qualifying for financing, discouragement around likelihood of receiving funding, and frustration with high costs or fees.

The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Thank you to Theresa Dunne for the helpful research support and the following for their feedback: Lei Ding, Eileen Divringi, Lucas Misera, Ashley Putnam, Theresa Singleton, and Keith Wardrip.

Introduction

Despite some signs of improvement for New Jersey small businesses since the onset of the COVID-19 pandemic, data show that businesses owned by people of color lag their White counterparts across most financial metrics. The latest wave of the Small Business Credit Survey (SBCS), conducted in the fall of 2021, reveals that across the nation, many firms were still trying to recover to prepandemic levels, although challenges were disproportionately larger for firms owned by people of color, smaller firms, and firms in the leisure and hospitality sector.¹

It is important to disaggregate these findings by state and firm characteristics to investigate potential trends and disparities in the recovery, especially to inform the future of small business credit access and policies. This report presents recovery trends by race and ethnicity for 1,350 New Jersey small employer firms (those with at least one and fewer than 500 employees).² Weighted to be representative of small businesses in New Jersey, the weighted sample is made up of 77 percent White-owned firms, 10 percent Asian-owned firms, 7 percent Hispanic-owned firms, and 5 percent Black-owned firms. Sixty-eight percent of the firms were owned by men, 21 percent were owned by women, and 10 percent were equally owned. More than half of the firms had fewer than five employees and brought in less than \$500,000 in annual revenues.³ The analysis of this sample serves as a follow-up to the quantitative portion of a mixed-methods New Jersey study released in 2021, drawing comparisons with conditions reported in fall 2020.⁴

The prominence of racially disparate credit access in 2021 presented in this report is consistent with systemic patterns of racially unequal access to credit and capital. The previous report using New Jersey SBCS data identified racial gaps seen in 2020, and many national reports have emphasized that the pandemic exacerbated existing racial gaps in small business access to credit.⁵ Nonetheless, race and ethnicity gaps are challenging to isolate because of established correlations between small business owners' race and ethnicity and other firm characteristics. Within this report's sample, firms owned by people of color were disproportionately women-owned, immigrant-owned, younger, and smaller compared with White-owned firms (Table A1). While the results cannot attribute racially disparate credit access to race alone because it does not control for these characteristics, disaggregating recovery trends by race and ethnicity for New Jersey small businesses can help inform solution-driven stakeholders working toward an equitable recovery for all small businesses.

Current Conditions and Financing Needs

Current Conditions and Needs

Although many New Jersey small businesses saw improvements between 2020 and 2021, most firms had not recovered by fall 2021. This is demonstrated in the reported revenue changes shown in Figure 1. Between the 2020 and 2021

¹ The Small Business Credit Survey is a national sample of small businesses focused on firms' financing and debt needs and experiences. The national report and corresponding data used for this brief are available at www.fedsmallbusiness.org/survey.

² For more information on data and methodology, see the appendix.

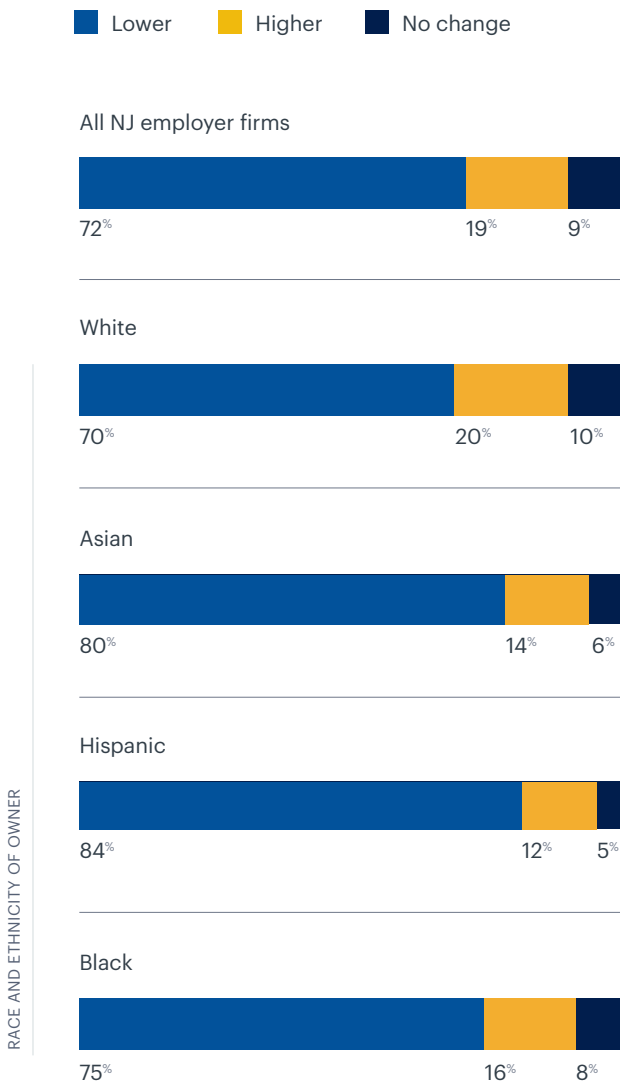
³ See more demographic details in Table A1 in the appendix.

⁴ Alvaro Sánchez, Ashley Putnam, Richard Kasmin, and Priya Krishna, *Small Business Credit Survey: COVID-19 and Disparate Firm Conditions in New Jersey*, Philadelphia: Federal Reserve Bank of Philadelphia, 2021, available at www.philadelphiafed.org/community-development/workforce-and-economic-development/small-business-credit-survey-covid-19-and-disparate-firm-conditions-in-nj. While all cross-year and cross-group comparisons highlighted in the report narrative are statistically significant at the 5 percent level using a two proportion z-test, not every value presented in the figures is statistically significant.

⁵ Federal Reserve Banks, *Small Business Credit Survey: 2021 Report on Firms Owned by People of Color*, available at www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color. Robert Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," NBER Working Paper No. 27309, 2020, available at www.nber.org/system/files/working_papers/w27309/w27309.pdf.



FIGURE 1 Revenue Change Since 2019



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for “All NJ employer firms” is 1,117 employer firms. The sample size for “race and ethnicity of owner” is 1,111 employer firms. Percentages may not sum to 100 because of rounding.

Small Business Credit Surveys, revenue improved, although in 2021, it still lagged prepandemic levels. In 2020, 92 percent of firms said that revenues were lower than they were a year earlier.⁶ In 2021, 72 percent of firms reported 2021 revenues remained lower than they were in 2019. Although nearly three-quarters of firms reporting lower 2021 revenues compared with 2019 is an improvement compared with the initial year of the pandemic, it suggests that in 2021, the recovery was still in progress.

Rates of revenue recovery were also disparate across race and ethnicity. Firms led by people of color were less likely than White-owned firms to report that revenues had surpassed prepandemic levels — 20 percent of White-led firms reported higher revenues than in 2019, compared with 16 percent of Black-led firms, 14 percent of Asian-led firms, and 12 percent of Hispanic-led firms. Hispanic- and Asian-led firms reported revenue declines compared with prepandemic levels at the highest rates (84 and 80 percent, respectively) and were closely followed by Black-led firms (75 percent), compared with 70 percent of White-owned firms.

The most common financial difficulties of 2021 for New Jersey small businesses were paying operating expenses (74 percent), weak sales (69 percent), and uneven cash flow (62 percent), as shown in Figure 2. Interestingly, only 27 percent of firms selected credit availability as a financial challenge. Firms owned by people of color clearly more often struggled to make ends meet in 2021 than did White-owned firms. Relative to White-owned firms, firms owned by people of color more often reported paying operating expenses as a financial difficulty, with 82 percent of Asian-led firms, 81 percent of Black-led firms, and 78 percent of Hispanic-led firms citing it, compared with 73 percent of White-led firms. Asian-led firms also tended to report the

⁶ Sánchez, Putnam, Kasmin, and Krishna, *COVID-19 and Disparate Firm Conditions in New Jersey*.

most difficulties with weak sales (77 percent). Black- and Hispanic-led firms more often reported issues with credit availability, at 46 and 36 percent, respectively, much larger than the reported 27 percent among Asian-led firms and 26 percent among White-led firms.

“ Black- and Hispanic-led firms were more likely to use personal reserves

Small businesses resorted to a number of solutions to resolve these financial challenges, as shown in Figure 3. The most common actions taken in response to financial challenges were obtaining grants (82 percent), using personal funds (60 percent), obtaining loans (56 percent), using cash reserves (52 percent), and cutting staff, hours, or downsizing (48 percent).

White-led firms were most likely to report that they used their firm’s cash reserves, at 56 percent, much more often than 42 percent of Black-led firms, 41 percent of Asian-led firms, and 38 percent of Hispanic-led firms. Black- and Hispanic-led firms were more likely to use personal reserves (70 and 67 percent, respectively), compared with 60 percent of White-led firms and 53 percent of Asian-led firms. Additionally, firms owned by people of color were more likely than White-led firms to respond to financial challenges by making late payments. White- and Asian-led firms were more likely to obtain funds that did not have to be repaid (85 and 83 percent, respectively) compared with Black- and Hispanic-led firms (61 and 70 percent, respectively).

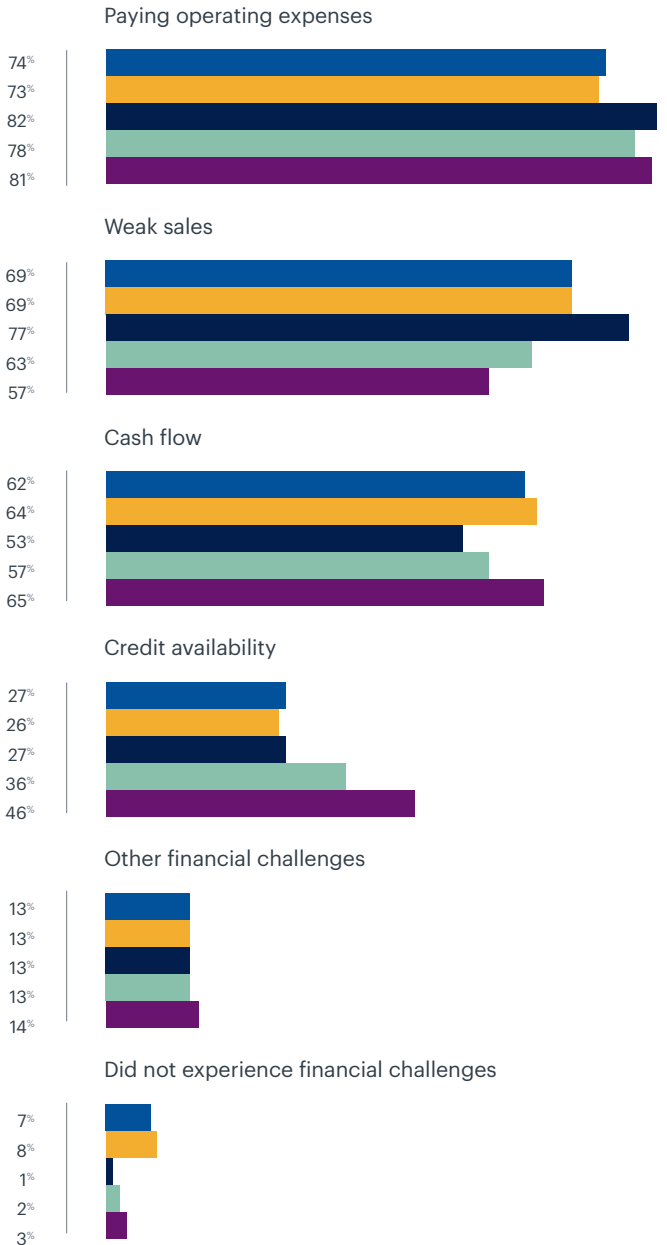
FIGURE 2

Financial Difficulties of the Previous 12 Months

All NJ employer firms

RACE AND ETHNICITY OF OWNER

White Asian Hispanic Black



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

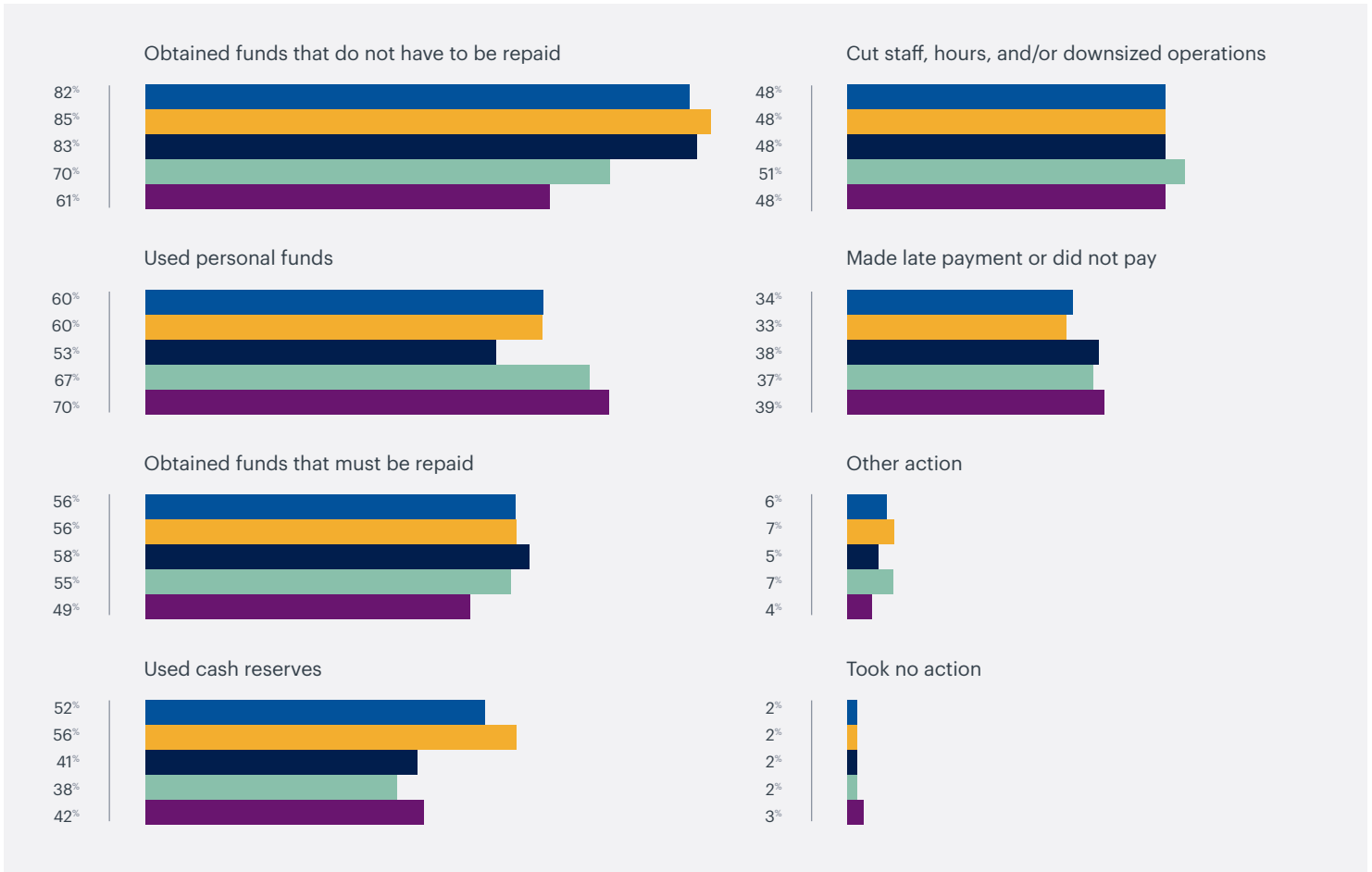
Note: The sample size for “All NJ employer firms” is 1,342 employer firms. The sample size for “race and ethnicity of owner” is 1,336 employer firms. Respondents could select multiple options.

FIGURE 3

Actions Taken in Response to Financial Challenges

RACE AND ETHNICITY OF OWNER

■ All NJ employer firms ■ White ■ Asian ■ Hispanic ■ Black



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

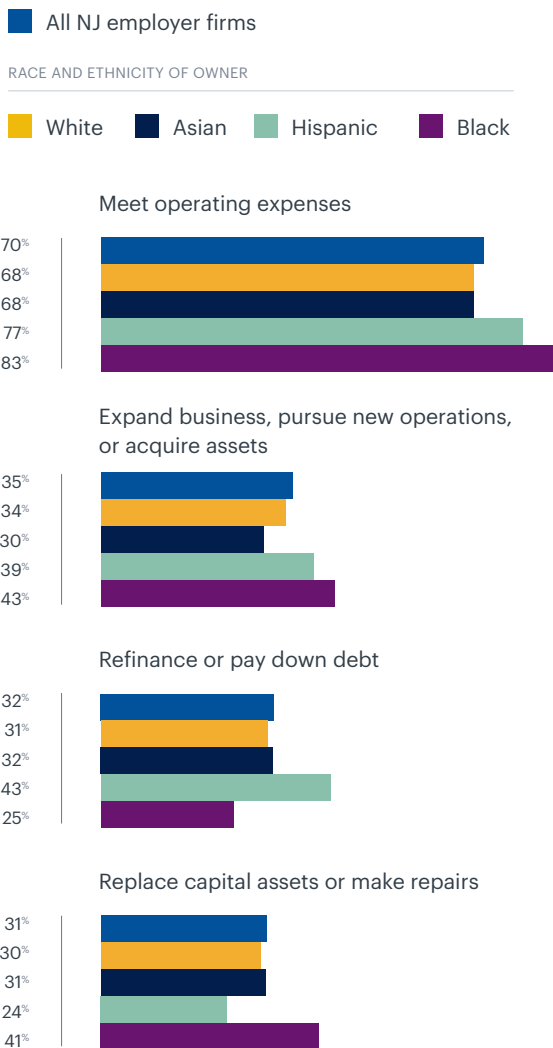
Note: The sample size for “NJ employer firms” is 1,263 employer firms. The sample size for “race and ethnicity of owner” is 1,258 employer firms. Respondents could select multiple options. “Funds that do not have to be repaid” includes PPP funds only if respondents received or expected PPP loan forgiveness.

While it is clear that many firms responded to financial challenges by seeking credit, Figure 4 highlights the infrequency at which firms sought financing for other reasons. In other words, New Jersey firms were much more likely to seek financing to make ends meet rather than to grow or improve their business, with 70 percent of small businesses seeking financing to meet operating expenses. Black-led

firms were more often motivated to seek financing to meet operating expenses (83 percent) or expand their business (43 percent). Hispanic-led firms more often cited seeking financing to meet operating expenses (77 percent). Other less common reasons among all New Jersey firms included refinancing or paying down debts (32 percent) and replacing capital assets or making repairs (31 percent).



FIGURE 4 Reason for Applying for Financing



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "All NJ employer firms" is 431 employer firms and for "race and ethnicity of owner" is 425 employer firms. Respondents could select multiple options. The category "other," not shown here, was selected by 1 percent of NJ employer firms.

Emergency Financing Applications

Although emergency financing programs began winding down in 2021, many small businesses still sought emergency pandemic financing. Figure 5 shows emergency application rates among New Jersey firms. Paycheck Protection Program (PPP) loan application rates declined relative to 2020, with 62 percent of firms applying in 2021, compared with 83 percent in 2020. The percentage of firms not seeking any emergency assistance remained relatively similar to 2020, increasing from 5 percent of the firms in 2020 to 6 percent in 2021.⁷

Application rates for emergency assistance funds varied across firm race and ethnicity. Black- and Hispanic-led firms applied for PPP loans at much lower rates (36 and 42 percent, respectively) than Asian- and White-led firms (64 and 75 percent, respectively). Hispanic- and Black-led firms were also the most likely to not seek any emergency assistance funds (13 and 9 percent, respectively), compared with 6 percent of White-led firms and 2 percent of Asian-led firms. There is a clear disconnect between the elevated financial need of Black- and Hispanic-owned firms and their lower rates of applications for emergency assistance funds. Potential reasons driving these lower application rates and the barriers to capital are explored in future sections.

Firms that did not seek pandemic-related financial assistance were asked their reasons for not applying for the assistance (Figure 6). Overall, the most common reasons firms did not seek pandemic-related financial assistance were because they did not think they would qualify (51 percent), the program was confusing (26 percent), or they did not need funding (22 percent).

⁷ Sánchez, Putnam, Kasmin, and Krishna, *COVID-19 and Disparate Firm Conditions in New Jersey*.

FIGURE 5

Types of Emergency Financial Assistance Sought

RACE AND ETHNICITY OF OWNER

All NJ employer firms White Asian Hispanic Black

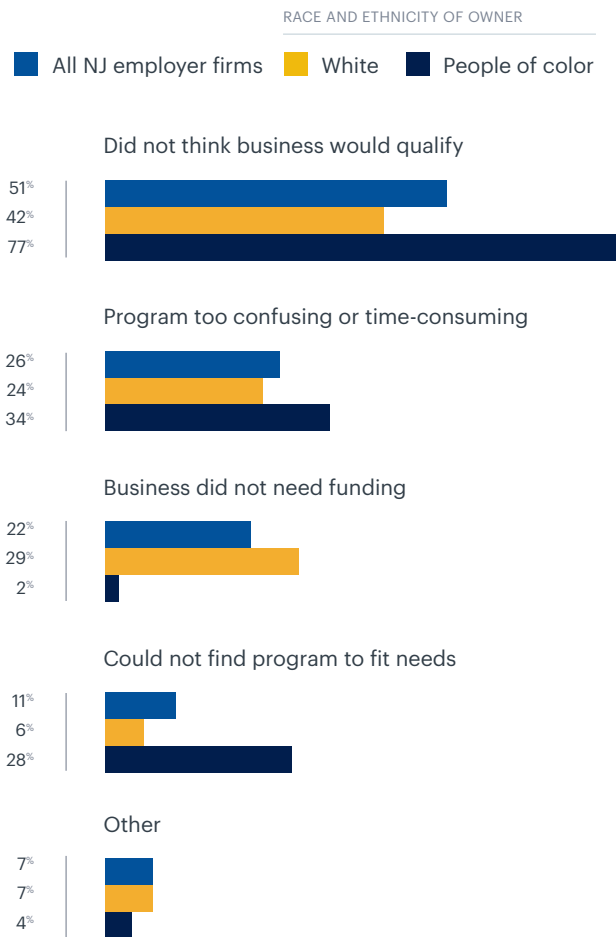


Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "NJ employer firms" is 1,333 employer firms. The sample size for "race and ethnicity of owner" is 1,327 employer firms. Respondents could select multiple options.

The leading reason for not applying among firms owned by people of color was that they did not think they would qualify (77 percent), a far greater proportion than that of White-led firms (42 percent). Additionally, firms led by people of color more often couldn't find a program that fit their needs (28 percent) compared with White-led firms (6 percent). Lessons from small business listening sessions in 2020, in which small businesses led by people of color identified issues with perceptions of risk and lack of information, validate these responses.⁸

FIGURE 6 Reason Firm Did Not Seek Pandemic-Related Financial Assistance



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for both "All NJ employer firms" and "race and ethnicity of owner" is 77 employer firms. Respondents could select multiple options.

Nonemergency Financing Applications

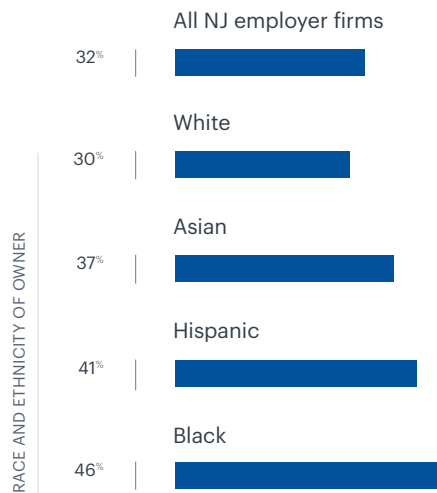
As emergency financing solutions are phased out, racial and ethnic differences in nonemergency financing are all the more important, as highlighted in Figure 7. Demand for nonemergency credit remained similar for all New Jersey firms — 32 percent applied in 2021, compared with 34 percent in 2020.⁹ The proportion of Black-led firms that sought nonemergency financing declined from 55 percent in 2020 to 46 percent in 2021. Even so, Black-led firms were the most likely to apply for financing in 2021, while White-led firms were least likely to apply (30 percent).

The reasons that firms did not apply for any nonemergency financing also varied by group, as shown in Figure 8. Only about one-third of all firms that did not apply for non-emergency financing said they did so because they had

⁸ Sánchez, Putnam, Kasmin, and Krishna, *COVID-19 and Disparate Firm Conditions in New Jersey*.

⁹ Sánchez, Putnam, Kasmin, and Krishna, *COVID-19 and Disparate Firm Conditions in New Jersey*.

FIGURE 7 Share of Business Owners Who Applied for Nonemergency Financing in the Last 12 Months



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "All NJ employer firms" is 1,276 employer firms. The sample size for "race and ethnicity of owner" is 1,270 employer firms.

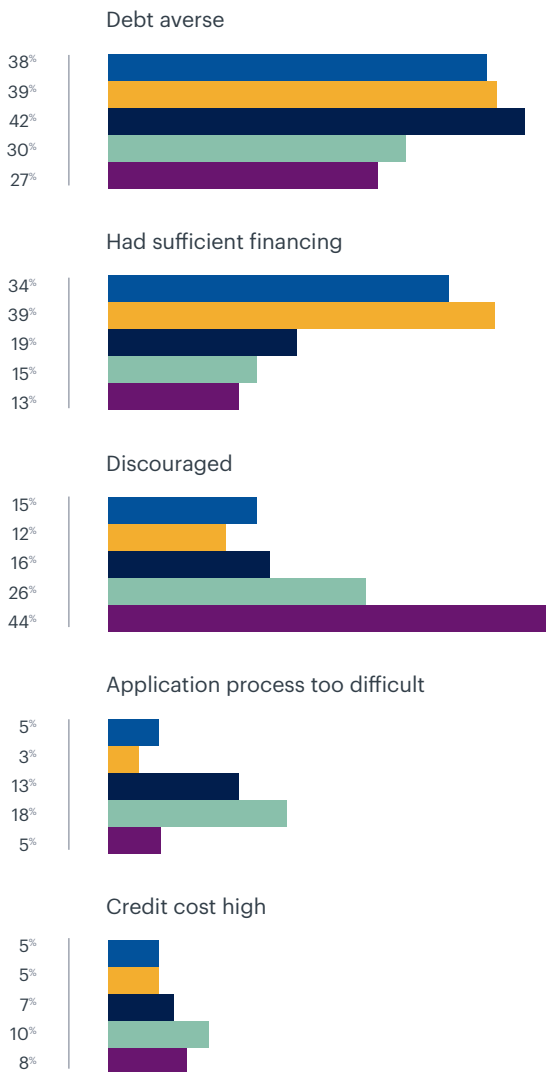
FIGURE 8

Primary Reason for Not Applying for Nonemergency Financing

All NJ employer firms

RACE AND ETHNICITY OF OWNER

White Asian Hispanic Black



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for both “All NJ employer firms” and “race and ethnicity of owner” is 812 employer firms. Percentages may not sum to 100 because of rounding. The category “other,” not shown here, was selected by 3 percent of NJ employer firms.

enough financing. This was most true for White-led firms, which most often reported that they already had sufficient financing, at 39 percent. This percentage was lower among firms owned by people of color, with 19 percent for Asian-led firms, 15 percent for Hispanic-led firms, and 13 percent for Black-led firms. Among all New Jersey firms, the leading reason for not applying for nonemergency financing was debt aversion (38 percent). White- and Asian-led firms were the most likely to refrain from applying because of debt aversion (39 and 42 percent, respectively). Black-led firms were the most likely to not apply for financing because of discouragement (44 percent), i.e., they believed they would be turned down. The most cited reason for Hispanic-led firms was debt aversion (30 percent).

Financing Outcomes

This section explores the outcomes of financing applications, beginning with PPP loans. The 2021 New Jersey report demonstrated that small businesses’ experience with PPP loans varied by race and ethnicity. White-owned firms were more likely than any other group to receive all the PPP funding they sought in 2020 (76 percent), while Black-owned firms were the least likely to receive all the funding they sought (42 percent); falling in between were Asian-led firms (58 percent) and Hispanic-led firms (53 percent).¹⁰ Similar, albeit smaller, gaps surfaced in 2021 PPP approval rates, where 67 percent of White-owned firms received all the PPP funding they sought, compared with 54 percent of Asian-led firms, 45 percent of Black-led firms, and 44 percent of Hispanic-led firms (Figure 9). While the gaps remained between White-owned firms’ PPP loan approval rates and those of firms owned by people of color, the shrinking of the White-Black PPP approval gap from 34 to 22 percentage points is a promising improvement.

On top of these racial and ethnic differences in PPP application and approval rates, results show disparate PPP forgiveness outcomes for Black- and Hispanic-led small businesses. PPP loan recipients are eligible to apply for loan forgiveness, by which the Small Business Administration (SBA) deems some or all of a PPP loan balance forgiven based on a set of criteria involving employee retention, compensation, and

¹⁰ Sánchez, Putnam, Kasmin, and Krishna, *COVID-19 and Disparate Firm Conditions in New Jersey*.

FIGURE 9

Share of PPP Funding Received in 2021

None Some Most All

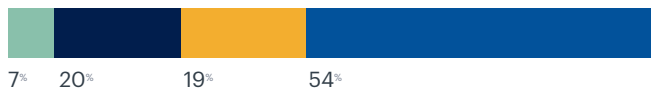
All NJ employer firms



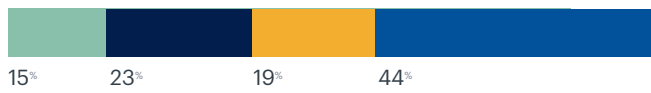
White



Asian



Hispanic



Black



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "All NJ employer firms" is 824 employer firms. The sample size for "race and ethnicity of owner" is 822 employer firms. Percentages may not sum to 100 because of rounding.

FIGURE 10

PPP 2020 Forgiveness Outcomes

Full forgiveness Partial forgiveness Pending Loan not forgiven Unsure

All NJ employer firms



White



Asian



Hispanic



Black



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "All NJ employer firms" is 1,015 employer firms. The sample size for "race and ethnicity of owner" is 1,012 employer firms. Percentages may not sum to 100 because of rounding.

RACE AND ETHNICITY OF OWNER

payroll costs.¹¹ With full PPP loan forgiveness, firms can consider their PPP balance as a grant rather than a loan. If a PPP loan is not forgiven, it remains an outstanding debt for firms. Thus, 2020 PPP loan forgiveness is a significant financing outcome that the 2021 survey results look back on.

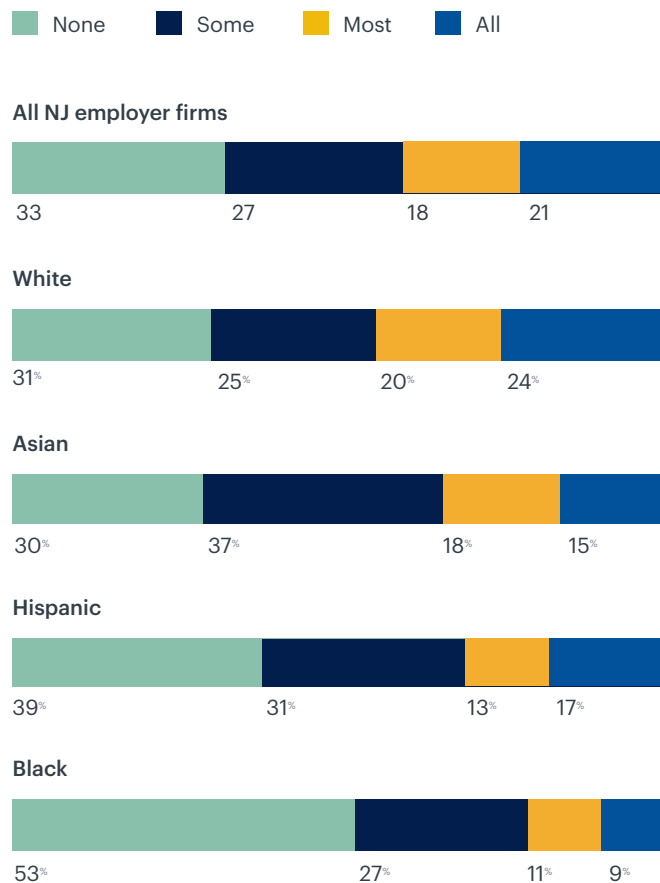
As of fall 2021, 86 percent of firms that received PPP funding in 2020 confirmed that their loans had been fully

forgiven (Figure 10). However, PPP loan forgiveness looked quite different when disaggregated by race and ethnicity of owners. Black- and Hispanic-led firms were the least likely to receive full forgiveness for their 2020 PPP loans, at just 71 and 69 percent, respectively, compared with 87 percent for both White- and Asian-led firms. Additionally, Black- and Hispanic-led firms were most likely to be outright rejected for PPP forgiveness, at rates of 6 and 5 percent, respective-

¹¹ More information on PPP loan forgiveness guidelines is available at www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-loan-forgiveness.

ly, compared with 2 and 1 percent, respectively, for Asian- and White-owned firms. Black-led firms were the most likely to receive partial forgiveness (11 percent). Hispanic-led firms were the most likely to still have pending PPP results (10 percent). Finally, more Hispanic- and Black-led firms were unsure of their PPP forgiveness status, at 13 and 9 percent, respectively, compared with 2 and less than 1 percent, respectively, for White- and Asian-led firms.

FIGURE 11 Total Financing Received



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "All NJ employer firms" is 417 employer firms. The sample size for "race and ethnicity of owner" is 411 employer firms. Percentages may not sum to 100 because of rounding.

Such disparate experiences with PPP loans across race and ethnicity call into question whether similar differences exist in nonemergency financing, particularly as pandemic emergency funds are discontinued and many firms turn to general financing options. Figure 11 shows reported total financing received as a share of the amount sought among the financing applications that firms submitted.¹² Across the state, one-third of firms were outright rejected for financing in 2021, while 21 percent of firms received all the financing they applied for. Financing rejection rates were higher and full approval rates were lower for many firms owned by people of color. Specifically, financing rejection rates were higher among Black- and Hispanic-led firms (53 and 39 percent, respectively). Inversely, White-owned firms most often received all the financing they sought (24 percent).

Similar gaps in financing outcomes across race and ethnicity were present in 2020. Black- and Hispanic-owned firms were the most likely to be outright rejected for financing in 2020, and far more White-owned firms received all the financing they applied for in 2020 compared with Black-led firms. The implications of these similarities across 2020 and 2021 financing outcomes are twofold — first, that these disparities are part of an ongoing trend of unequal access to credit, and second, that these racial disparities in access to credit still exist amid the pandemic recovery.

Experiences with Financial Institutions

Since financial institutions play a large part in providing the financing sought by most firms, reviewing the experiences that firms associate with these institutions — banks in particular — can shed light on the disparities in credit applications, acceptances, and forgiveness. Most New Jersey firms used large banks (48 percent) or small banks (32 percent) when seeking a loan, line of credit, or cash advance in 2021. These rates weren't very different across race and ethnicity: The proportion of firms owned by people of color that used large and small banks in 2021 were 48 and 28 percent, respectively, compared with 49 and 33 percent, respectively, for White-owned firms.

Figure 12 highlights challenges firms experienced with

¹² Total financing includes any financing besides government-provided pandemic-related financial assistance.

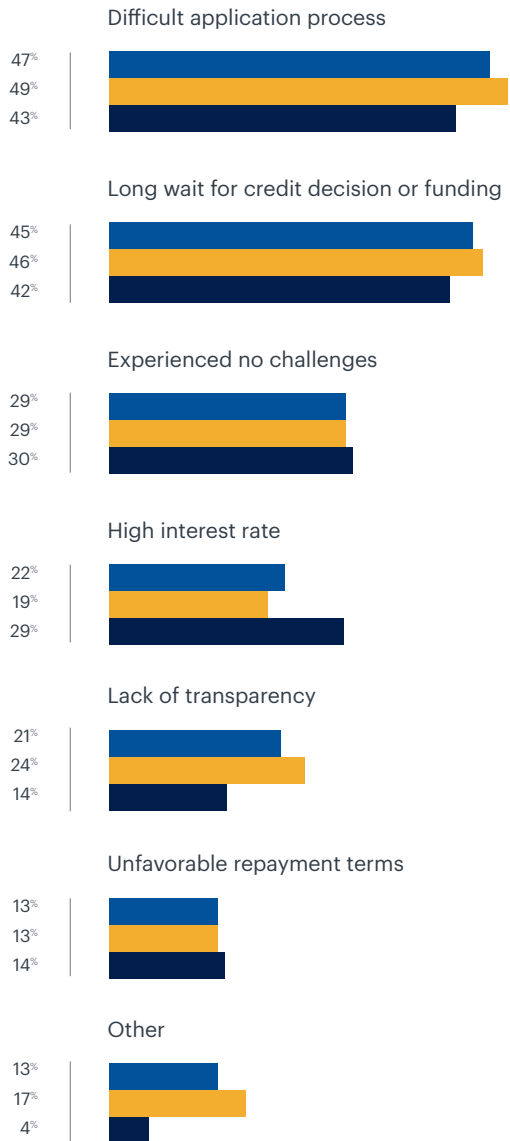
FIGURE 12

Challenges with Lenders

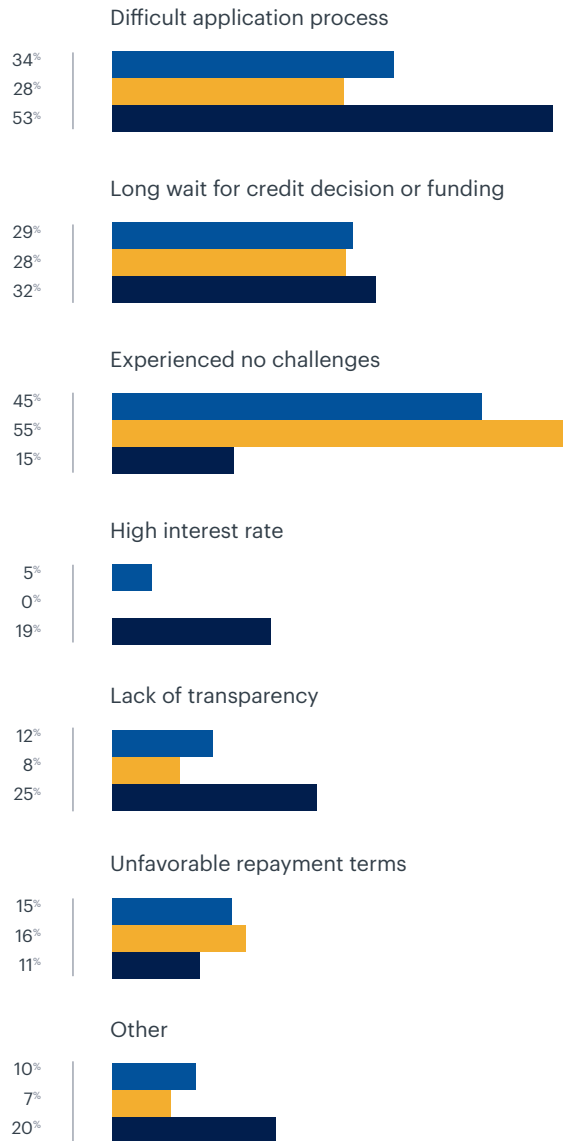
RACE AND ETHNICITY OF OWNER

All NJ employer firms White People of color

Large Bank



Small Bank



Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for "large bank" is 122 employer firms. The sample size for "small bank" is 74 employer firms. Large banks have at least \$10 billion in total deposits. Small banks have less than \$10 billion in total deposits. Respondents could respond for multiple lender types, although only select lenders are shown owing to sample size. Respondents could select multiple options.

large or small banks when applying for financing. Overall, 45 percent of small bank users experienced no challenges with their bank, compared with 29 percent of large bank users. However, the selection of “no challenges” among small bank users was much more common among White-owned firms (55 percent) than firms owned by people of color (15 percent). More often than small bank users, large bank users reported challenges with application processes, long waits, and interest rates. Overall, the most common issues listed among both large and small bank customers were difficult application processes and long waits for cred-

it decisions or funding.

Among small bank users, firms owned by people of color were more likely to cite difficult application processes as an issue, along with high interest rates. By race and ethnicity, the identification of transparency issues was mixed across large and small banks: For small bank users, more firms owned by people of color cited a lack of transparency as a challenge, while for large bank users, it was selected by more White-led firms.

FIGURE 13 Reasons Firms Do Not Use Banks



RACE AND ETHNICITY OF OWNER

■ All NJ employer firms ■ White ■ People of color

Source: 2021 Small Business Credit Survey, Federal Reserve Banks.

Note: The sample size for “All NJ employer firms” is 82 employer firms. The sample size for “race and ethnicity of owner” is 81 employer firms. Respondents could select multiple options. The universe is firms that do not use a large or small bank for financial services.

Although most New Jersey small businesses reported using large or small banks to obtain financing, the remainder of firms that sought financing did so through alternative financial institutions such as community development financial institutions (CDFIs), credit unions, finance companies, or online lenders. Understanding the reasons firms chose not to use a large or small bank reveals common barriers to entry to traditional lenders such as banks. Figure 13 disaggregates these reasons by race and ethnicity.

Among firms that do not use a bank, the most common reasons listed were that the firm does not meet bank requirements (43 percent), costs or fees are too high (40 percent), and banks do not offer needed products (22 percent). White-led firms were more likely to report not meeting bank requirements (53 percent). Firms owned by people of color more often reported that costs or fees were too high compared with White-led firms. Additionally, firms owned by people of color more often felt that banks do not work with businesses like theirs, at 22 percent, compared with just 10 percent of White-owned firms. According to the SBCS national report, respondents had the option to explain why they selected “banks don’t work with businesses like mine,” to which many responded that their business was too small or new, or its industry was seen as risky. A smaller share expected banks wouldn’t work with them because of characteristics like race, ethnicity, gender, age, or disability.¹³

Conclusion

Although most New Jersey small employer firms had still not recovered to prepandemic conditions by the fall of

2021, evidence shows firms owned by people of color were disproportionately struggling to make ends meet, less likely to apply for and receive many forms of emergency financing, and less likely to receive full forgiveness on PPP loans. Since firms owned by people of color were overrepresented among women-owned, immigrant-owned, younger, and smaller firms compared with White-owned firms, many of the challenges faced by firms owned by people of color were likely similarly faced by firms belonging to these other groups. Further, while the descriptive nature of this report cannot determine what directly causes racial and ethnic gaps in credit access and outcomes, results are consistent with systemic patterns of racially disparate access to credit and illuminate the importance of disaggregating by race.

Among firms owned by people of color, more frequent reports of doubts, discouragement, and credit unaffordability — combined with the fact that firms owned by people of color were also more likely to use personal funds to meet financial needs — call for improvements in credit availability, affordability, and banking relationships for firms owned by people of color. With \$255 million in funds soon to be available to New Jersey small businesses through the new wave of the State Small Business Credit Initiative,¹⁴ the racial and ethnic disparities revealed in this analysis can help guide an equitable distribution of funds to New Jersey’s small businesses.

¹³ Federal Reserve Banks, *Small Business Credit Survey: 2022 Report on Employer Firms*.

¹⁴ More information about the State Small Business Credit Initiative is available at home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbcj.

Data and Methodology

This study uses microdata from the 2021 Small Business Credit Survey (SBCS), which collected responses from a national convenience sample of nearly 11,000 small employer firms (firms with at least one and fewer than 500 employees) from September 2021 through November 2021. Since it is a nonrandom convenience sample, the data are weighted to more accurately represent the national- and state-level characteristics of small businesses. It is important to note that because the 2021 survey only surveyed small businesses active during fall 2021, the data do not include the experience of firms that closed earlier in the pandemic, before the survey period.

The survey collected 1,350 responses from New Jersey small employer firms. This study applies the microdata state employer firm weights to New Jersey responses in order to make them representative of the distribution of New Jersey employer firms. The weighting scheme uses a “raking” statistical technique such that the data reflect New Jersey employer firms’ distribution of size, age, industry, and geography, as well as owner gender, race, and ethnicity.¹⁵

¹⁵ For more info on SBCS weighting and methodology, visit www.fedsmallbusiness.org/survey/2022/report-on-employer-firms.

Firm Demographics

TABLE A1

Weighted Firm Demographics of New Jersey Small Businesses

	All NJ Employer Firms	Race/Ethnicity of Owner(s)				Sample Size	
		White	Asian	Hispanic	Black	All NJ Employer Firms	By Race
Percent of weighted sample ¹⁶		77%	10%	7%	5%	1,350	1,344
Gender of owner(s)							
Men-owned	68%	70%	65%	63%	54%	1,350	1,344
Women-owned	21%	19%	22%	31%	42%		
Equally owned	10%	11%	13%	6%	4%		
Industry							
Business support and consumer services	18%	16%	29%	27%	12%	1,344	1,344
Leisure and hospitality	16%	17%	17%	15%	12%		
Nonmanufacturing goods production & associated services	16%	15%	14%	18%	25%		
Healthcare and education	13%	13%	14%	13%	12%		
Professional services and real estate	13%	13%	8%	12%	15%		
Retail	13%	13%	12%	8%	19%		
Manufacturing	9%	11%	4%	5%	3%		
Finance and insurance	1%	2%	0%	1%	1%		
Age of firm							
0–5 years	31%	25%	37%	58%	62%	1,350	1,344
6–10 years	15%	14%	21%	16%	13%		
11–15 years	13%	12%	16%	11%	15%		
16–20 years	9%	10%	12%	6%	5%		

¹⁶ The weighted sample proportion of Native American-owned employer firms is less than 1 percent.

APPENDIX

		Race/Ethnicity of Owner(s)				Sample Size	
	All NJ Employer Firms	White	Asian	Hispanic	Black	All NJ Employer Firms	By Race
21+ years	32%	39%	14%	10%	5%		
Size of firm							
1-4 employees	56%	51%	69%	80%	74%	1,350	1,344
5-9 employees	18%	19%	17%	15%	11%		
10-19 employees	12%	14%	7%	4%	10%		
20-49 employees	9%	10%	5%	0%	2%		
50-499 employees	5%	6%	2%	1%	2%		
Annual revenues							
\$0-\$25,000	7%	5%	6%	11%	26%	1,300	1,294
\$25,001-\$50,000	6%	4%	10%	15%	24%		
\$50,001-\$100,000	10%	7%	19%	26%	13%		
\$100,001-\$500,000	38%	39%	33%	33%	28%		
\$500,001-\$1 million	18%	20%	16%	9%	5%		
\$1 million-\$5 million	17%	20%	12%	5%	4%		
\$5 million-\$10 million	2%	2%	2%	0%	0%		
More than \$10 million	2%	3%	2%	0%	0%		
Rural	1%	1%	0%	0%	1%	1,350	1,344
Immigrant-owned	25%	15%	67%	55%	37%	1,303	1,301
Veteran-owned	4%	3%	5%	6%	6%	1,303	1,301



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