

Small Business Lending in the United States, 2020

Office of Advocacy, Office of Economic Research

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Small business growth and survival depends on access to credit. Therefore, credit access is a major concern for many businesses, especially start-ups and small businesses who have limited access to financial markets. This serious policy issue intensifies during economic downturns and expansions. The U.S. banking system, a major supplier of capital to small businesses, is an important participant in the process. Banks, amongst other lenders, were instrumental in distributing the Paycheck Protection Program (PPP) to small businesses during the pandemic.

This report, “Small Business Lending in the United States, 2020,” presents the lending activities of bank lenders in small business borrowing. The report captures changes in small business lending for the year using Federal Deposit Insurance Corporation (FDIC) data.

Overall Findings

Both small (loans \$1 million and under) and large (loans exceeding \$1 million) business lending increased by double digits from June 2019 to June 2020. Minority Depository Institutions were instrumental in getting PPP loans to underserved areas during the COVID-19 pandemic. They also experienced double digit

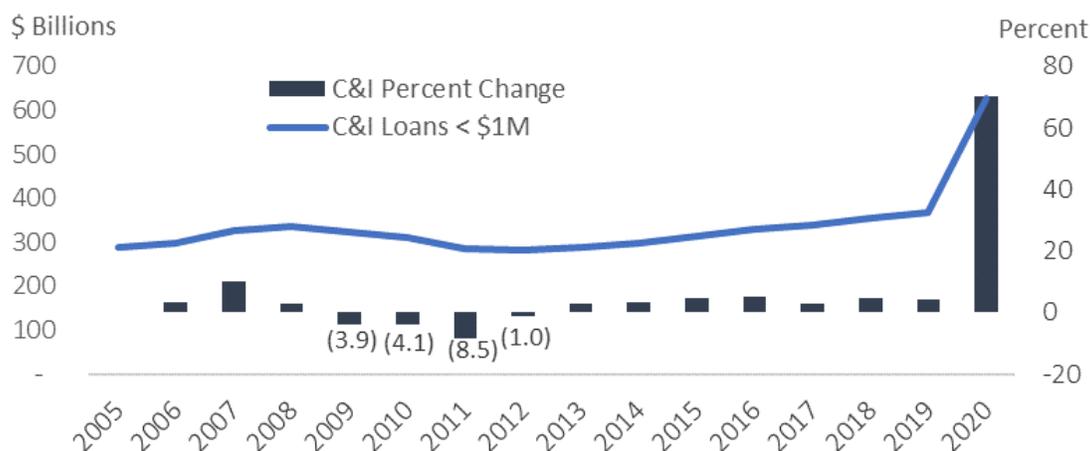
loan increases, except for outstanding large business loans which increased by 8 percent.

Highlights

Bank Small Business Lending

- Small business loans as a share of total loans increased to 22.7 percent for the first time in June 2020 after a steady downward trend over the past decade. The increase could mainly be attributed to the PPP.
- Growth in outstanding small business loans increased in both number and value from June 2019 to June 2020. The value of total outstanding small business loans by depository lenders increased by 39 percent (\$250.7 billion) from 2019 to 2020 (FDIC).
- Commercial and industrial loans accounted for all increases in total small business lending (Figure 1). The most substantial increase in the value of outstanding small business loans was for commercial and industrial loans of \$100,000 to \$250,000, which increased by over 100 percent.

Figure 1: Small Business Commercial and Industrial Loans



Source: Call Reports, FDIC.

Lending by Bank Size and Market Share

- Depository lenders with total assets between \$1 and \$10 billion realized the largest percentage increases in the value of total outstanding small business loans by nearly 66 percent, had the largest increase in the percentage of the value of small business loans to total assets (35 percent), and the percentage of small business loans to total business loans (19 percent).
- In terms of loan value, lenders with total assets of \$50 billion or more had the largest absolute increase in the value of outstanding loans, a total increase of \$95 billion.
- The market share by bank size remained virtually unchanged. Larger depository lenders (total assets of \$10 billion or more) held a 58 percent share of the value of outstanding small business loans and smaller depository lenders held a 42 percent share.
- From June 2019 to June 2020, the smallest depository lenders (less than \$500 million in total assets) lost small business loan market share. Depository lenders with \$1 billion to \$10 billion in total assets gained small business loan market share.

Trends in Community Reinvestment Act (CRA) Small Business Lending

- The growth rate in the value and number of loans in the CRA report exceeded the growth rate reported in the FDIC Call Report. The CRA Reports only covered the period up to December 2019, before the COVID-19 pandemic began. The total value and number of small business loans originated and purchased increased by 3.9 percent and 7.9 percent, respectively.
- While the value of outstanding small business loans reported in the FDIC Call Report increased by 1.9 percent, the value of loan originations and purchases reported in the CRA report increased by 3.9 percent from 2018 to 2019.

Scope and Methodology

This study covers the lending activities of depository institutions using two types of data. The Consolidated Reports of Condition and Income (Call Report) from the Federal Deposit Insurance Corporation provide information on loan balances for all reporting depository institutions as of June 30, 2020, which captures PPP lending activity.

The other data used for the analysis is the Community Reinvestment Act (CRA) from the Federal Financial Institutions Examination Council, which provide information for loan originations and purchases using calendar year 2019. Both databases are available only by the size of the loan.

Small business loans are defined as business loans under \$1 million. Analyses in this report provide partial information on the PPP from the Call Reports since there is a one-year lag in the CRA data. All foreign depository institutions are excluded. The data is then aggregated and categorized into various small business loan size categories and bank asset sizes.

Developments in lending activities over time are analyzed using Call Report statistics for several variables. Due to data limitations, the report does not distinguish SBA-guaranteed lenders. Because of the changing number of banks required to report under the CRA, year-to-year changes in the lending activities for this group of banks are more difficult to interpret.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Office of Economic Research at advocacy@sba.gov.

Related Research from Advocacy

[“Do Banks Lend Where They Borrow? A Study on Local Small Business Lending in the U.S.” Cole and Damm, December 2020.](#)

The study examines changes over time in lending at a distance. The report shows that lending to businesses in counties where a bank has no branches is highly sensitive to economic conditions and examines changes over time in lending at a distance.

[“Effects of Small Loans on Bank and Small Business Growth” Aktug, Ikingler, and Hulagu, March 2021.](#)

This contracted study sheds light on the determinants of bank dynamism and the relationship between small business loan availability and business growth.

[“Change in Small Business Loans Outstanding During the COVID-19 Pandemic” Victoria Williams and George Haynes, December 2020.](#)

This report examines the small business lending activity during December 2019 and June 2020 by lender size covering trends of the initial onset of the pandemic.

[“Spotlight on Community Bank Lending” Daniel Brown, September 2019.](#)

This fact sheet examines trends and provides an overview of community banks, a critical source of capital for small businesses.

[“Minority-Owned Employer Businesses and Their Credit Market Experiences In 2017” Alicia Robb, July 2020.](#)

This report analyzes 2017 Federal Reserve survey data and finds disparities in credit outcomes persisted for minority-owned businesses in 2017.

READ THE FULL REPORT ONLINE

This report is available on the Office of Advocacy's webpage at <https://advocacy.sba.gov>. To stay informed of Advocacy's research, visit <https://advocacy.sba.gov/subscribe>. By selecting the Small Business Regulation & Research category, you can choose to receive email notices of Advocacy research, regulatory communications, or The Small Business Advocate newsletter.

