Liberty Street Economics

ECONOMIC INEQUALITY: A RESEARCH SERIES

COVID-19 and Small Businesses

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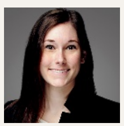
ON TODAY'S PRESS BRIEFING



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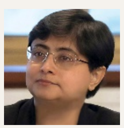

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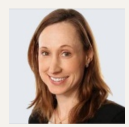

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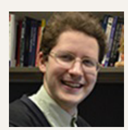

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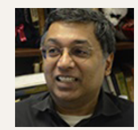

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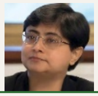
COVID-19 and Small Businesses: Uneven Patterns by Race and Income

Ruchi Avtar, Rajashri Chakrabarti, Davide Melcangi, Maxim Pinkovskiy, and Giorgio Topa


RUCHI AVTAR | RAJI CHAKRABARTI | DAVIDE MELCANGI | MAXIM PINKOVSKIY | GIORGIO TOPA

COVID-19 and Small Businesses: Uneven Patterns by Race and Income

- Small businesses were severely affected by the COVID-19 pandemic. Was the impact on small business activity different across communities that varied by income and race?

- At the onset of the pandemic, small business revenues fell more in higher-income counties and rebounded more slowly, but the gap has been shrinking over time.
  - Differences were even more marked for the food and accommodation sector and persisted through March 2021.

- Our results can be explained by multiple factors:
  - Higher-income households are typically more likely to consume in-person services that were restricted during the pandemic, for example, travel, entertainment, and restaurant services.
  - Social distancing and non-pharmaceutical interventions (NPIs) had more persistent effects on business activity in higher-income counties, which are more likely to be urban.
  - Supplementary unemployment benefits and stimulus checks provided a cushion against income losses for workers in low-income counties.

- Small businesses in majority-minority counties took a marginally greater hit and recovered more slowly.

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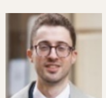
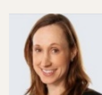
Who Received PPP Loans by Fintech Lenders?

Jessica Battisto, Nathan Godin, Claire Kramer Mills, and Asani Sarkar

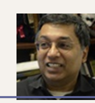
JESSICA BATTISTO



NATHAN GODIN



CLAIRE KRAMER MILLS



ASANI SARKAR

Who Received PPP Loans by Fintech Lenders?

- Fintech lenders disbursed a small share of Paycheck Protection Program (PPP) loans but provided important support for underserved and minority business owners.

- Lender relationships mattered less for fintech applicants.
  - Most businesses that applied to banks had existing banking relationships.
  - Most applicants for fintech loans did not have existing relationships, were more likely to be Black-owned, and to have had more difficulty accessing PPP credit.

- Fintech lenders approved the highest percentage of Black-owned businesses among their own applicants.

- Share of fintech loans in total PPP loans increased dramatically from Wave 1 to Wave 2, while the share of small bank loans decreased.

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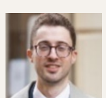
Who Benefited from PPP Loans by Fintech Lenders?

Jessica Battisto, Nathan Godin, Claire Kramer Mills, and Asani Sarkar

JESSICA BATTISTO



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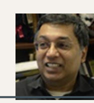

ASANI SARKAR

Who Benefited from PPP Loans by Fintech Lenders?

- Fintech providers were key in reaching minority-owned firms, the smallest of small businesses, and those most affected by the coronavirus pandemic.

- Fintech applicants requested and received smaller dollar loans than bank applicants.
  - Fintech lenders approved loans with a median size of $20,000 as compared to $50,000 for banks.
  - Fintech lenders dramatically increased their share of small-dollar loans from Wave 1 to Wave 2.

- Fintech loans were better targeted than those by banks in Wave 1.
  - Fintech lenders provided more loans during Wave 1 in counties with a higher share of population that is Black and with higher COVID-19-related death rates.

- PPP loan applicants were more likely to have reduced their workforce and more likely to rehire after approval.
  - Of all firms that did not receive PPP loans, Black-owned firms were less likely to rehire.