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Fed Small Business Credit Survey: What Employer Firms Report

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What the survey is and who answers

The Small Business Credit Survey (SBCS) is run by the twelve Federal Reserve Banks. Each year it asks small businesses about their performance, financing needs, applications and outcomes, and publishes separate reports on employer and nonemployer firms. This guide covers the employer-firm reports, which are the ones relevant to acquisition targets.

Two vintages are current as of 2026-10-28:

	2026 Report on Employer Firms	**2025 Report on Employer Firms**
Survey year	2025 SBCS	2024 SBCS
Fielded	September 3 to November 14, 2025	September to November 2024
Employer-firm responses	6,525	7,653
Released	March 3, 2026	March 27, 2025
Scope	Employer firms with 1-499 full- or part-time employees, all 50 states and D.C.	Employer firms

Sources: 2026 Report on Employer Firms; 2025 Report on Employer Firms. The 2025 survey also yielded 5,223 responses from nonemployer firms (2026 report PDF). Those results appeared on July 7, 2026 in a separate Chartbook on Nonemployer Firms, not covered here.

The survey is useful to deal teams because it is one of the few recurring, large, public sources on how small employer firms finance themselves, what they owe and what squeezes them. It is not a database of companies; it reports aggregate shares.

Convenience sample and weighting

Before using any SBCS number, read the method. The Fed is explicit: "The SBCS is not a random sample" (2026 report).

According to the SBCS methodology page:

- **Recruitment.** Partner organizations "that serve the small business community contact businesses in their networks", and the Reserve Banks also contact prior participants and other small businesses directly.
- **Weighting.** The sample is post-stratified and weighted by raking so that it matches national benchmarks. For employer firms the variables are firm age, industry, urban or rural location, owner gender, owner race or ethnicity, firm size by employees and census division. Benchmarks come from Census Bureau sources including Business Dynamics Statistics, the Annual Business Survey and County Business Patterns.
- **Size groups.** Employer firms are weighted in five bands: 1-4, 5-9, 10-19, 20-49 and 50-499 employees.
- **Caveats.** The Fed states that "the SBCS may be subject to biases that random sample surveys would not be subject to", warns of likely noncoverage bias from firms not on its contact lists, and notes that "Changes to the questionnaire and weighting methodology limit over-time comparability on certain metrics."

What this means in practice:

1. Weighting corrects the sample's mix on the listed characteristics. It cannot correct for characteristics not in the weights, such as whether a firm is the kind that engages with business-support organizations.
2. Firms that answer a credit survey may differ from firms that do not in their financing experience. Treat shares as indicators of direction and relative differences, not precise population rates.
3. Year-over-year changes of a point or two are within the range where question and weighting changes can matter.

Performance indicators

The 2026 report describes a flat year with weaker expectations:

- "Revenue and employment growth held steady between the 2024 and 2025 surveys." Firms continued to be slightly more likely to report that revenues decreased rather than increased in the prior 12 months, and these indices remain below prepandemic levels.
- "The revenue expectations index fell six points year over year, from 39 to 33", and "the employment expectations index fell three points, from 26 to 23." Both expectations measures were at their lowest since the 2020 survey.

(2026 report; 2026 report PDF)

The prior year's report recorded that the revenue performance index "decreased by 7 points this cycle", after a 3-point drop the cycle before (2025 report).

The indices are diffusion indices: "the shares reporting growth minus the shares reporting a reduction" (2026 report PDF). They describe the balance of experiences, not the size of revenue changes, and they say nothing about profit levels. The SBCS landing pages do not report profitability or margins, and no profit figure from the survey is used here.

Financing needs and outcomes

The financing section is where the SBCS is most detailed. From the 2026 report (landing page and PDF):

Measure (2025 survey)	Figure
Firms using financing on a regular basis	86% (most common products: credit cards and loans)
Firms that applied for financing in prior 12 months	60%
Most common reasons for seeking financing	Operating expenses (56%); expansion or new opportunity (46%)
Firms that applied for a loan, line of credit or merchant cash advance	38%
Applicants receiving full amount sought	42%
Applicants receiving some or most	36%
Applicants receiving none	22%
Applicants seeking financing at online fintech lenders	29% (17% in the 2020 survey)
Full approval at small banks	57% of applicants there
Online-lender borrowers reporting higher-than-expected costs	60%

The 2025 report, for comparison, recorded that "Thirty-seven percent of firms applied for a loan, line of credit, or merchant cash advance", that 59% "sought new financing", and that 41% of applicants "received all the financing they sought, 36% received just some, and 24% received none" (2025 report). The 2026 chart text uses the same concept ("60% of firms sought some type of financing"), so the move from 59% to 60% is like for like, but at one point it is best read as unchanged (2026 report PDF).

Funding gaps. The executive summary frames needs and outcomes together: "About half of firms had their funding needs met, either with or without external financing; about one-third faced a funding gap despite applying for financing, while the remainder needed financing but did not apply." Among firms that did not seek financing, "most said that they did not apply because they already had sufficient funding." Applicants at online lenders were more likely to report problems; "High interest rates and unfavorable repayment terms were the most common challenges at online lenders" (2026 report PDF).

Approval rises with firm size and age. The 2026 report states that "Older and larger firms were more likely than younger and smaller ones to be fully approved." The shares of loan, line of credit and cash advance applicants fully approved:

Group	Fully approved	Observations (N)
Revenue under $100K	37%	281
Revenue $100K-$1M	48%	984
Revenue $1M-$10M	61%	807
Revenue over $10M	76%	164
Firm age 0-5 years	48%	416
Firm age 6-20 years	51%	1,085
Firm age 21+ years	63%	769

(2026 report PDF). The Fed notes these are aggregate percentages "not adjusted to control for characteristics such as firm profitability, credit risk, or other indicators of creditworthiness." The gradient is descriptive, not a causal size effect.

Challenges and costs

From the 2026 report (landing page):

- **Operational.** "Reaching customers and growing sales was the most commonly reported operational challenge," followed by hiring or retaining qualified staff.
- **Financial.** "Rising costs of goods, services, and/or wages was the most common financial challenge." More than four in ten firms said increased costs associated with tariffs were a financial challenge, and "Seventy-seven percent of firms reported one or both of these challenges."
- **Tariffs by industry.** "Tariff-related cost challenges were most prevalent in the retail (69%) and manufacturing (62%) industries."
- **Imported inputs.** 48% of firms sourced at least some inputs from outside the United States in 2024, and 14% did so for more than half of inputs. Of firms facing higher input prices, 76% passed at least some costs to customers and 60% absorbed at least some.

Debt. "The share of firms with no outstanding debt (31%)" has grown since the 2020 survey (21%). Among firms with debt, "59% used a personal guarantee to secure their debt," and "51% used business assets" (2026 report). The prior year's report put the no-debt share at 29% and recorded 39% of firms with more than $100,000 in debt (2025 report). In the 2026 report's debt chart (N=6,447), 37% of firms held more than $100,000 (38% in its year-by-year bar; the gap is rounding), including 15% with $250,000 to $1 million and 8% with more than $1 million (2026 report PDF, p. 8).

Reading any SBCS chart: a five-point check

1. Which population: employer or nonemployer firms, all firms or only applicants?
2. Which period: "prior 12 months" before the fielding window, or expectations for the next 12 months?
3. What N sits behind the bar? Small subgroups (the report shows N for many breakdowns) deserve wider mental error bands.

4. Is the share adjusted for anything? Most breakdowns are not adjusted for credit risk or profitability.
5. Did the question wording change since the prior report? Compare the exact sentences before reporting a trend.

Context: how big is the small-business population

The SBCS describes employer firms with 1-499 employees. For scale, the SBA Office of Advocacy's 2026 FAQ reports "36,207,130 small businesses in the United States" employing "62.3 million people, 45.9 percent of private sector workers" (SBA Office of Advocacy). That total includes nonemployer businesses, which the employer report excludes, so the SBCS employer findings describe a much smaller population than the 36 million headline.

For firm and establishment counts by industry and geography, use the Census sources the SBCS weights itself to; see market sizing with CBP, QCEW and SUSB. For size thresholds used by lenders and federal programs, see SBA size standards.

What this implies for target characteristics (and what it does not)

The SBCS describes populations. It cannot describe a specific company. The table below separates reasonable inferences from overreach.

Survey finding	Reasonable inference for screening	Not supported
59% of indebted firms used a personal guarantee (2026 report)	Many owners have personal exposure to company debt; expect payoff and guarantee release to matter in a sale	That a given target's owner has guaranteed its debt
Full approval rises with revenue size and firm age	Larger, older targets may have more established lender relationships	That a target is creditworthy because it is old
31% of firms report no outstanding debt	A meaningful minority of targets may have no lender to pay off	That debt-free firms are healthier
Expectations indices at lowest since 2020 survey	Owner sentiment context for outreach timing	That any owner is more willing to sell
Tariff cost challenges concentrated in retail and manufacturing	Diligence question for import-dependent targets in those sectors	A margin impact estimate for any firm
Convenience sample, weighted	Use for direction and relative differences	Precise population counts

Illustrative worksheet (fictional mandate). A sponsor screening U.S. manufacturing firms with $3-10 million revenue turns survey findings into hypotheses to test per target, not facts to assume:

Hypothesis	Source of the hypothesis	Test on a specific target	Evidence type
H1: Target has secured bank debt with owner guarantee	SBCS personal-guarantee share	UCC filings naming a bank secured party; ask owner	Public record, then owner confirmation

Hypothesis	Source of the hypothesis	Test on a specific target	Evidence type
H2: Input costs exposed to tariffs	SBCS manufacturing tariff share	Import records, product categories, supplier geography	Public trade data, owner interview
H3: Revenue flat in the last 12 months	SBCS performance indices	Owner-provided financials	Private, at diligence stage

Each row names the test. If the test is not run, the hypothesis stays a hypothesis in the target record.

Using SBCS alongside Census and BLS data

The SBCS answers "how" questions (how firms finance, what pressures them) with weighted survey shares. Census sources answer "how many" questions with administrative or survey counts. Combine them carefully:

1. **Match the population.** SBCS employer results cover 1-499 employees. Census Statistics of US Businesses and County Business Patterns let you count firms or establishments in the same band for an industry.
2. **Match the period.** The 2026 report describes conditions in the 12 months before late 2025. Census counts lag by more. Label the vintage of each figure in any memo.
3. **Do not multiply shares by counts to "size" a sub-market.** Applying a convenience-sample share to a Census count produces a number with no defensible error band. If you must, show it as a rough range and say how it was built.
4. **Prefer the report's own breakdowns.** Where the Fed publishes a breakdown (by revenue size, firm age, industry), use it, with its N, rather than re-deriving.
5. **Cite the report, not a secondary article.** The Fed provides a suggested citation and DOI for the 2026 report: https://doi.org/10.55350/sbcs-20260303 (2026 report).

For how these sources fit the broader ownership picture (owner age, succession, business transfer evidence), see Docket's succession and ownership research guide.

Docket tests target-level hypotheses like H1 against retained public records rather than survey shares.

Sources

1. Federal Reserve Banks, "2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey" (March 3, 2026). https://www.fedsmallbusiness.org/reports/survey/2026/2026-report-on-employer-firms. Accessed 2026-10-28.
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6. Federal Reserve Banks, "2026 Chartbook on Nonemployer Firms: Findings from the 2025 Small Business Credit Survey with Trends over Time" (July 7, 2026). https://www.fedsmallbusiness.org/reports/survey/2026/2026-report-on-nonemployer-firms. Accessed 2026-10-28.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. https://www.fedsmallbusiness.org/reports/survey/2026/2026-report-on-employer-firms
2. https://www.fedsmallbusiness.org/survey/2025/2025-report-on-employer-firms
3. https://www.fedsmallbusiness.org/-/media/project/clevelandfedtenant/fsbsite/reports/2026/2026-report-on-employer-firms/2026-report-on-employer-firms.pdf
4. https://www.fedsmallbusiness.org/reports/survey/2026/2026-report-on-nonemployer-firms
5. https://www.fedsmallbusiness.org/about/methodology
6. https://advocacy.sba.gov/2026/02/03/frequently-asked-questions-about-small-business-2026
7. https://doi.org/10.55350/sbcs-20260303

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