Which Industries and States are Most Successful in Securing Paycheck Protection Program (PPP) Loans?

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This study examines the allocation of Paycheck Protection Program (PPP) loan amounts distributed by the Small Business Association (SBA) through April 16, 2020 and compares this distribution with loan amounts potentially available if all firms in the industry solicited PPP loans.

Chart 1 (below) shows the SBA’s distribution of PPP loans as a percentage of the PPP loan amounts potentially available by industry. Mining, quarrying, and oil and gas exploration, accommodation and food services, manufacturing, retail trade, and construction have been allocated the highest percentage of potential PPP loans. These industries have secured over 65% of the potential PPP loans available to them. In addition, these five industries have secured over 40% of the total PPP funds allocated by the SBA as of April 16, 2020. Firms in other industries, such as finance and insurance, and management, have secured less than 25% of the potential PPP loans available to them.

Chart 1. Percentage of Potential PPP Loans Secured by Industry1-5

Chart Notes: 1 Proprietor profit and compensation are not included in payroll estimates; 2 Hired farm labor estimate is from the 2017 Census of Agriculture. Hired farm labor wages/salaries were $31.5 billion in 2017; 3 This analysis underestimates the maximum loans for accommodation and food service because larger firms are eligible for PPP loans; 4 This analysis doesn't include public administration ($824.9 million in PPP loans on 4-13-20) or industries not classified in shares; and, 5 Payroll estimates for 2017 are inflated by the CPI from June 2017 to June 2019.
Map 1 (below) shows the SBA’s distribution of PPP loans as a percentage of the PPP loan amounts potentially available by state. Less densely populated states (such as Nebraska, North Dakota, and South Dakota) have secured over 70% of the potential PPP loan funding. More densely populated states (such as California, New York, and New Jersey) have secured less than 30% of the estimated maximum PPP loan funding.

Map 1. Percentage of Potential PPP Loans Secured by State

The percentage of loans secured differ substantially across industries and states. When considering differences by industry, it’s apparent that larger-sized small businesses (and some with more than 500 employees) were more likely to secure PPP loans. In addition, it’s likely that small businesses in some industries were less likely to be impacted by the COVID-19 outbreak and did not apply for PPP funding.

When considering differences across states, it is possible that small businesses in states experiencing earlier and more severe COVID-19 outbreaks faced challenges initiating loan requests. In addition, small businesses in less populated, rural states may have better relationships and more access to their lenders, who could help them process the PPP loans. When these borrowers and lenders can be interviewed after the COVID-19 outbreak has passed, we will know much more about differences across industries and states.
Methods: The maximum PPP loan distributions are estimated using the Statistics on U.S. Businesses (SUSB) for 2017 and 2017 Census of Agriculture, then inflating these payroll estimates by the consumer price index from June 2017 to June 2019. The SUSB payroll statistics do not include wages and benefits for production agriculture; hence, hired labor payroll estimates from the 2017 Census of Agriculture were added to this analysis because agricultural producers are eligible to apply for PPP funds.

References