Small businesses are facing a variety of problems, some of which they share with larger firms but to a greater degree

Global supply chain disruptions: Many businesses (especially those that rely on Chinese manufacturing) are facing bottlenecks in their supply chains or are themselves a component of a supply chain being disrupted by COVID-19.

Supply chain disruptions are particularly painful for SMEs:

- SMES often rely on single suppliers, where as large firms do not
- Suppliers often deprioritize small businesses in favor of the major firms that make higher-volume purchases
- SMES tend to have far less in cash reserves, making it difficult to switch to suppliers elsewhere or to diversify their supply chains

Demand shock: Consumer demand is currently severely constrained, in part by measures to slow the spread of the virus, such as social distancing, and in part due to uncertainty. The extent of these demand shocks has varied by sector, with consumer service providers suffering significantly.

Demand shocks hit small business harder:

- Because small businesses have tighter cash reserves, sudden drops in consumer spending can hurt them far more
- The median small business has daily revenues of $381 and daily costs of $374, and only has enough savings to survive 27 days
- Decreased demand is forcing small businesses to lay off employees as they struggle to pay fixed costs

Credit crunch: Many businesses have taken advantage of low interest rates during the last decade by taking on debt to finance their daily operations. These businesses will be particularly vulnerable to the credit crunch brought on by COVID-19. The sudden change in credit conditions makes it harder for businesses to access the credit they need or to refinance debt.

Access to credit is critical for smaller businesses

- SMEs tend to be more dependent on debt than larger businesses
- According to a Federal Reserve survey, 64% percent of small businesses self-report as struggling financially, with operating expenses (40%) and credit availably (31%) being reported as the main reasons for their struggles

Sources: Forbes, Yahoo Finance, The New York Times, USA Today.

Many small business owners are turning to the Small Business Administration (SBA) for loans

As part of its low-interest federal disaster loans program, the SBA is making available Economic Injury Disaster Loans for affected small businesses

Understanding the program

Purpose: To help small businesses overcome temporary losses in revenue and other economic pains caused by COVID-19

Process: Governors make a request to the SBA for an Economic Injury Disaster Loan assistance declaration, which makes loans available statewide

Eligibility: Small businesses and private non-profits in all states and territories may apply for a low-interest loan to be issued directly by the government

Loan amounts: Eligible businesses may receive up to $2 million in assistance; non-profits pay 2.75% in interest, small businesses pay 3.75%

Usage: Addressing costs that cannot be paid due to COVID-19, like fixed debts and payroll

Repayment: SBA offers long-term repayment, capped at 30 years; loan terms vary based on determinations about each individual borrower's case

Sources: Small Business Administration, Fox Business.