PPP in Review: Square Capital Has Facilitated 76,000+ Small Businesses Loans Across All 50 States

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Since we began processing Payroll Protection Program (PPP) applications on April 29, 2020, as of June 10, Square Capital has facilitated more than $820 million in PPP loans, providing access to a financial lifeline to more than 76,000 small businesses. That's an average loan of less than $11,000, with 97% of our loans falling under $50,000 – the SBA's smallest tier for measurement.

Compared to the Square Capital program's 2019 business loan origination volume, which was $2.3 billion, we did 4.5 months worth of volume in just 6 weeks. The demand for stimulus funds from Square sellers was immense, and overall we received more than 140,000 applications for more than $2 billion in loans. 60% of our PPP borrowers had never before received a loan through Square Capital, enabling us to expand reach and serve new businesses.

"While our lending business has served Main Street small businesses for years, we knew that as our sellers and their communities were facing deep economic uncertainty, we could play a meaningful role in disbursing stimulus funds" said Jacqueline Reses, Square Capital Lead. "In mere weeks, we were able to create an application that made it simple for business owners to complete the PPP application, knowing many Square sellers handle all elements of their business – including financial operations – themselves. The impact shows in our numbers: the average SBA loan for all of PPP is $113,000 (1), while PPP loans through Square Capital are 1/10th that size."

By employer type – Majority of borrowers were non-employer businesses

80% of American businesses are non-employer firms (2). For Square Capital, non-employer firms received twice the number of loans as employer firms, but half the dollar volume when compared to employer firms (50,000 loans for a total of $290 million, compared to 26,000 loans for $530 million).

"Being a sole proprietor is always challenging, but coronavirus amplified that exponentially, as it meant you were one person alone trying to figure out how to adapt and survive," said seller Carolyn Hart, CMT, who owns her San Francisco massage practice. "Despite being unable to work, I wasn't planning to apply for a PPP loan because I was too afraid of being rejected. Square Capital made a point to make their application transparent, streamlined, and accessible to businesses like mine, and it was a true lifesaver. I'm so relieved my 28-year business will survive the pandemic."

By geography – Loans distributed to small businesses in all 50 states

Square Capital's ability to provide small businesses financial access regardless of geographic boundaries was reinforced through the PPP process. 47% of loans went to businesses in zip codes with an average household income of less than $50,000. This gives us an approximate measure of socioeconomic status of borrowers, and indicates loans reached communities that are often at higher risk to be adversely impacted by economic conditions.

- 34% of loans went to rural businesses, with an average loan size of $9,400
- 26% went to suburban businesses, with an average loan size of $10,700
- 39% went to urban businesses, with an average loan size of $11,900

At a state-by-state level, Square Capital had an outsized impact in some of the smallest and most remote states – Hawaii and Alaska both received above-average numbers of loans per capita. The top states for loans per capita are:

- Oregon - 4.30 loans per 10,000 people
- Hawaii - 4.16
- Florida - 3.99
- D.C. - 3.72
- Alaska - 3.48

States with some of the highest costs of living saw many of the highest average loan sums; Massachusetts led the charge with an average loan of $14,200, 29% higher than Square Capital's national average. Here's the complete list of top states for highest average loan size:

- Massachusetts - $14,200
- California - $13,900
- New York - $13,700
- D.C. - $13,700
- New Jersey - $13,600

"In any geography, it's difficult for small businesses to sustain themselves," noted Reses. "In expensive regions, it can be even more so as the cost of pausing or adapting their businesses to the reality of the pandemic became our top priority. These comparably small loan amounts made a massive difference to businesses."

By industry – Beauty & Personal Care, Food & Drink businesses among top borrowers

The top industries by loan volume and loan size dollars show the varying shelter-in-place realities for businesses. By total loans, beauty and personal care businesses held the top position. With independent beauty and personal care professionals' in-person services paused due to the pandemic, these loans provided a financial lifeline to sustain their livelihoods until their businesses could reopen.

- Beauty & Personal Care: 18,700 borrowers, average loan $5,600
- Professional Services: 14,800 borrowers, average loan $11,700
- Healthcare & Fitness: 9,500 borrowers, average loan $11,100

Meanwhile, food & drink businesses – such as restaurants and coffee shops – led in average loan size, with their figure of $19,800 nearly doubling the average loan of the entire Square Capital program borrower population. Restaurants' demand for dollars enabled them to provide continuity to their employee populations, despite many having to modify their businesses to comply with social distancing rules and regulations.

- Food & Drink: Average loan of $19,800, total loans $170 million
- Home & Repair: Average loan of $14,500, total loans $72 million
- Retail: Average loan of $11,700, total loans $86 million

Insights through Square Payroll data

Because we already had their average monthly payroll data, we were able to autofill parts of their application to reduce time and error risk, leading to a smooth application experience powered by our ecosystem.

Having hiring and employment insights through Square Payroll also allows us to see the after-effects and realtime impact of PPP loans on business operations. The cohort of Square Payroll customers receiving PPP loans had fewer than 5 employees on average. After receiving funds, we saw indicators of economic resiliency among Square Payroll sellers:

- A 70% increase in businesses running payroll post-loan
- The number of employees paid by businesses that received PPP funds nearly doubled after loans were disbursed
- Among businesses that never stopped running payroll, the average number of employees paid increased 34% after receiving the funds

Continuing financial innovation for small businesses

Small businesses' early challenges accessing PPP funds has only reinforced the need for banking products that empower them, and signals a shift in what small businesses will expect – and deserve to see – from their financial institutions. We saw nearly half of applicants used a mobile device to apply for PPP (43% mobile, 57% desktop) – signaling that on-the-go business owners believe their banking should be tech-enabled and available anywhere.

After receiving conditional approval in March for our ILC, Square Financial Services, and with the learnings of PPP under our belt, we're at work building a new bank for small businesses. We've heard loud and clear that they want to serve our Square sellers, and small businesses everywhere, as we push forward.

About Square

Square, Inc. (NYSE: SQ) revolutionized payments in 2009 with Square Reader, making it possible for anyone to accept card payments using a smartphone or tablet. Today, we build tools to empower businesses and individuals to participate in the economy. Sellers use Square to reach buyers online and in-person, manage their business, and access financing. And individuals use Cash App to spend, send, store, and invest money. Square has offices in the United States, Canada, Japan, Australia, Ireland, and the UK.

Square Capital, LLC is a wholly owned subsidiary of Square, Inc., d/b/a Square Capital of California, LLC in FL, GA, MT, and NY. All loans are issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC, located in Salt Lake City, UT. The individual authorized to act on behalf of the business must be a U.S. citizen or permanent resident and at least 18 years old. Valid U.S. bank account and Social Security number or Individual Taxpayer Identification Number are required. All loans are subject to credit approval and the terms of the SBA Paycheck Protection Program.

1. Source: SBA. https://www.sba.gov/sites/default/files/2020-06/PPP_Report_Public_200606%20FINAL_-508.pd

Sheet.pdf

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