

Leveraging Government Support for Small Business Recovery

IFEOLUWA OYEYIPO
University of Houston, TX

Abstract- *The COVID-19 pandemic's global impact on small businesses (SMBs) has been widely documented, with the United States experiencing a significant disruption to its economy. Widespread closures, job losses, and revenue decline characterized this period, leaving many businesses struggling to recover. This research investigates the role of government support programs in facilitating the post-pandemic recovery of SMBs within the United States. Specifically, we examine the impact of federal initiatives such as the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL), alongside state-level programs, in aiding these crucial economic actors. This article further examines these support programs, detailing their purpose, benefits, and application process. Through case studies of businesses from diverse industries, it highlights how effective utilization of these programs enable job retention, business adaptation, and revenue growth. Despite the successes, ongoing challenges such as financial hardships and supply chain disruptions persist. The article discusses opportunities for further government support, emphasizing the need for additional funding, extended loan forgiveness, and targeted assistance. By instituting a supportive environment, these programs can promote long-term sustainability and growth for small businesses. Continued government support is essential for a larger and inclusive economic recovery that will ensure resilience against future economic shocks.*

Indexed Terms- *COVID-19, small businesses, government support programs, Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), business recovery, job retention, economic resilience.*

I. INTRODUCTION

The COVID-19 pandemic has wreaked significant havoc on small businesses across the United States,

leading to groundbreaking challenges. During the peak of the crisis, many small businesses faced temporary or permanent closures, resulting in significant job losses and sharp declines in revenue. By April 2020, the National Bureau of Economic Research reported that approximately 22% of small businesses had ceased operations temporarily and by September 2020, around 100,000 small businesses had permanently closed (Fairlie, 2020). This disruption led to the loss of millions of jobs, with the US Small Business Administration (SBA) indicating that small business employment fell by 18% in the early months of the pandemic (US Small Business Administration, 2020). Economic data consistently demonstrates the vital role of small businesses within the U.S. economy. These entities are significant contributors to job creation, innovation, and the overall well-being of local communities. The U.S. Census Bureau reports that small businesses represent 99% of all U.S. businesses and employ nearly half of the private workforce, amounting to 60.6 million jobs (U.S. Census Bureau, 2021). Also, the U.S. Small Business Administration notes that small businesses contribute to over 44% of U.S. economic activity, highlighting their critical role in driving economic growth and maintaining competitive markets (U.S. Small Business Administration, 2021).

In light of the pandemic's impact, government support programs have become crucial in helping small businesses navigate the recovery phase. The Paycheck Protection Program (PPP) provided over \$800 billion in forgivable loans to support payroll and operational expenses that benefit more than 5 million small businesses (U.S. Department of the Treasury, 2021). Similarly, the Economic Injury Disaster Loans (EIDL) program distributed over \$200 billion to businesses struggling with revenue losses (U.S. Small Business Administration, 2021). Various state-level initiatives have also played a significant role, offering grants, tax relief, and other forms of financial assistance (Bartik et al., 2020). The intended outcomes of these

government support programs are threefold: stabilizing small businesses, preserving jobs, and promoting long-term resilience. Through strategic utilization of these resources, small businesses can not only recover from pandemic-induced disruptions but also adapt and achieve sustainable success in the evolving post-pandemic economy.

II. U.S GOVERNMENT SUPPORT FOR SMALL BUSINESSES

In the wake of the unprecedented economic disruption caused by the COVID-19 pandemic, the United States government implemented a multi-faceted support program specifically designed to bolster the resilience of small businesses. This comprehensive program encompassed a range of financial instruments, including grants, loans, tax relief measures, and other forms of direct assistance. The overarching objective of these interventions was to provide immediate stabilization for struggling businesses, safeguard employee positions, and foster long-term sustainability within the small business sector, thereby ensuring its continued vitality as a cornerstone of the American economy.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and its associated programs, most notably the Paycheck Protection Program (PPP), stand as pivotal interventions in the economic response to the COVID-19 pandemic. These initiatives demonstrably bolstered the resilience of numerous U.S. businesses, mitigating the severity of economic disruption and fostering a foundation for post-pandemic recovery.

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act); Purpose and Structure
The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020, stands as a landmark legislative response to the unprecedented economic and health crisis triggered by the COVID-19 pandemic. This comprehensive act aimed to provide emergency assistance across multiple sectors, with a particular focus on alleviating the financial strain on individuals, families, and businesses. The CARES Act included a robust suite of support measures, with significant provisions specifically

designed to bolster the resilience of small businesses – the lifeblood of the American economy.

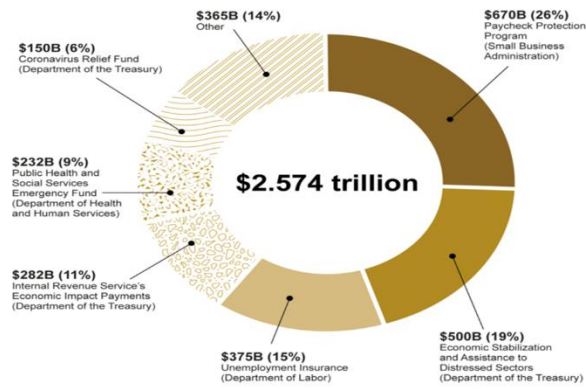
The act's impact on small businesses was multifaceted. A cornerstone program was the Paycheck Protection Program (PPP), which offered forgivable loans to eligible businesses to cover payroll costs, rent, and utilities. This crucial injection of liquidity allowed many small businesses to retain employees and weather the initial storm of pandemic-induced closures. Additionally, the Economic Injury Disaster Loan (EIDL) program provided low-interest loans to help businesses cover operating expenses and meet working capital needs.

These programs, along with other CARES Act provisions such as tax relief and expanded unemployment benefits, played a critical role in mitigating the economic devastation that could have been far worse for small businesses. The act's impact went beyond simply providing financial relief; it offered a lifeline to countless small businesses, enabling them to stay afloat during a period of immense uncertainty and pave the way for eventual recovery.

- Paycheck Protection Program (PPP); Purpose and Structure

Enacted as part of the CARES Act in March 2020, the Paycheck Protection Program (PPP) emerged as a critical response to the immediate economic fallout of the COVID-19 pandemic. Recognizing the devastating impact on small businesses forced to close or operate at reduced capacity, the PPP aimed to incentivize employee retention through forgivable loans. This financial assistance served a dual purpose: firstly, by mitigating the burden of payroll costs, it allowed businesses to retain their workforce, preserving vital skills and expertise within companies. This ensured a smoother transition back to normalcy once pandemic restrictions eased. Secondly, by preventing mass layoffs, the PPP aimed to bolster overall economic stability. A continued functioning workforce meant businesses could contribute to the economic ecosystem, minimizing disruptions in supply chains and maintaining consumer spending power. In essence, the PPP served as a lifeline for countless businesses, allowing them to weather the storm and pave the way for eventual recovery.

The PPP's structure was designed to specifically target small businesses, with eligibility determined by factors like employee size, industry type, and pre-pandemic revenue. Sole proprietors, independent contractors, and self-employed individuals were also included in the program's reach. Loan amounts were calculated based on a business's average monthly payroll costs, offering a crucial financial buffer. A defining feature of the PPP was the potential for complete loan forgiveness. Businesses that utilized a designated portion of the loan on payroll expenses and maintained a specific level of employee retention over a set timeframe could have their loan converted into a grant. While the PPP faced challenges regarding accessibility and potential misuse, it undeniably played a significant role in supporting small businesses during the pandemic. Millions of businesses received loans, enabling them to retain employees and maintain operations, ultimately contributing to economic stabilization and business recovery efforts.



Source: GAO analysis of appropriation warrant information provided by the Department of the Treasury as of May 31, 2020. | GAO-20-625

Government Response to Stabilize the Impact of COVID -19

- Other Relevant Programs

Economic Injury Disaster Loan (EIDL); Target Audience and Benefits

The EIDL program provided low-interest loans to small businesses suffering substantial economic injury due to COVID-19. It offered up to \$2 million in assistance, with favorable repayment terms, to cover various operating expenses (US Small Business Administration, 2021).

Main Street Lending Program; Target Audience and Benefits

The Main Street Lending Program was designed to support small and medium-sized businesses that were in sound financial condition before the pandemic. It provided loans to businesses that were too large to benefit from the PPP but still needed assistance to maintain operations and payroll during the crisis (Federal Reserve, 2020).

State-Level Initiatives; Target Audience and Benefits
 Various states launched their initiatives to support small businesses including grants, tax relief, and other financial assistance. California’s Small Business COVID-19 Relief Grant Program offered grants of up to \$25,000 to small businesses and nonprofits impacted by the pandemic (California Office of the Small Business Advocate, 2021).

III. ACCESSING AND UTILIZING GOVERNMENT SUPPORT PROGRAMS; Eligibility Criteria for Different Programs

Paycheck Protection Program (PPP)

Eligibility: Small businesses, nonprofits, veterans’ organizations and Tribal businesses with fewer than 500 employees or those that meet the SBA's industry size standards. Certain sole proprietors, independent contractors, and self-employed individuals are also eligible (US Small Business Administration, 2021).

Economic Injury Disaster Loan (EIDL)

Eligibility: Small businesses, agricultural businesses and most private nonprofit organizations in the United States that have suffered substantial economic injury due to COVID-19. Businesses must meet SBA size standards (US Small Business Administration, 2021).

Main Street Lending Program

Eligibility: Small and medium-sized businesses that were in good financial standing before the pandemic, generally with up to 15,000 employees or up to \$5 billion in annual revenue (Federal Reserve, 2020).

State-Level Initiatives

Eligibility: Criteria vary by state. In California Small Business COVID-19 Relief Grant Program targets small businesses and nonprofits impacted by the pandemic, with specific revenue thresholds and operational criteria (California Office of the Small Business Advocate, 2021).

Step-by-Step Guide on How Businesses Can Apply

1. Paycheck Protection Program (PPP)

- Step 1: Determine eligibility based on the Small Business Administration (SBA) criteria.
- Step 2: Prepare necessary documentation, including payroll records and tax filings.
- Step 3: Apply through an approved lender, such as a bank or credit union. Applications can be submitted online through the lender's portal.
- Step 4: Await approval and funding, typically within a few weeks.
- Resources: Detailed guidance and application forms are available on the SBA website

2. Economic Injury Disaster Loan (EIDL)

- Step 1: Confirm eligibility based on business size and impact from COVID-19.
- Step 2: Gather required documentation, such as financial statements and tax returns.
- Step 3: Apply directly through the SBA's online portal.
- Step 4: Monitor the application status through the SBA portal and respond to any requests for additional information.
- Resources: The SBA website provides comprehensive instructions and a dedicated disaster assistance hotline (US Small Business Administration, 2021).

3. Main Street Lending Program

- Step 1: Review the program's eligibility criteria.
- Step 2: Prepare financial documentation, including income statements and balance sheets.
- Step 3: Apply through an eligible lender that participates in the program.
- Step 4: Follow up with the lender for approval and disbursement of funds.
- Resources: The Federal Reserve's website offers detailed program guidelines and application procedures (Federal Reserve, 2020).

4. State-Level Initiatives

- Step 1: Check specific state government websites for program eligibility and requirements.
- Step 2: Collect relevant documentation as specified by the state program.
- Step 3: Apply through the state's designated application portal.

- Step 4: Track the application status and provide additional information if requested.

Resources: State economic development offices and small business advocates provide guidance and support (California Office of the Small Business Advocate, 2021).

Resources to Help Businesses Navigate the Application Process

SBA Website: The SBA's official website offers extensive resources including detailed guides, FAQs, and application forms for various support programs (US Small Business Administration, 2021).

Hotlines: The SBA and other government agencies provide dedicated hotlines to assist business owners with their applications. For example, the SBA's Disaster Assistance Customer Service Center can be reached at 1-800-659-2955.

Local SBA Offices: Local SBA offices and Small Business Development Centers (SBDCs) offer personalized assistance, including one-on-one counseling and workshops.

Federal Reserve Resources: The Federal Reserve's website provides information and resources on the Main Street Lending Program, including how to find eligible lenders (Federal Reserve, 2020).

State Economic Development Offices: State-specific resources and support are available through state economic development offices and small business advocate agencies.

IV. CASE STUDIES: SUCCESS STORIES OF BUSINESSES LEVERAGING GOVERNMENT SUPPORT

Case Study 1:

Sweet Treats - Local Bakery

Business and Pre-Pandemic Situation

Sweet Treats is a family-owned bakery in Austin, Texas known for its artisan pastries and cakes. Before the pandemic, the bakery enjoyed steady local clientele and frequently catered events, contributing to a stable revenue stream and employment for ten staff members.

Program Utilized: Paycheck Protection Program (PPP)

Application and Utilization: Sweet Treats applied for the PPP in April 2020, receiving a loan of \$75,000. The funds were used primarily to cover payroll expenses, ensuring that the bakery could retain all ten employees despite a significant drop in walk-in customers.

Adapting to a new Business Model

The bakery also allocated part of the loan to develop an online ordering system and invest in delivery services, adapting to the new consumer behaviors during lockdowns.

Positive Outcomes

Employee Retention: Sweet Treats successfully retained its entire workforce and avoided layoffs during the critical initial months of the pandemic.

Revenue Stability: The new online ordering and delivery services contributed to a 20% increase in monthly sales compared to the pre-pandemic period. The bakery even expanded its customer base beyond the local neighborhood, reaching more customers across the city.

Business Growth: Post-pandemic, Sweet Treats maintained its online presence and delivery service which contributed to sustained revenue growth and customer satisfaction.

Case Study 2:

Innovate Solutions - Tech Startup

Business and Pre-Pandemic Situation

Innovate Solutions, based in San Francisco is a tech startup specializing in AI-driven software for small businesses. Before the pandemic, Innovate Solutions was in its growth phase with a team of 25 employees and a rapidly expanding client base.

Program Utilized: Economic Injury Disaster Loan (EIDL)

Application and Utilization: Innovate Solutions applied for and received an EIDL of \$150,000 in mid-2020. The loan helped cover operational costs which included rent and utilities, during a period when many clients paused or reduced their contracts due to economic uncertainty.

Strategic Investments: The startup used part of the funds to grow its business model by developing new features aimed at helping small businesses manage remote work and e-commerce operations.

Positive Outcomes

Operational Continuity: The EIDL allowed Innovate Solutions to continue its operations without interruption, despite the challenging economic environment.

Client Retention and Expansion: By addressing the immediate needs of their clients with new remote work and e-commerce tools, Innovate Solutions retained its existing clients and attracted new ones, resulting in a 30% increase in its client base by early 2021.

Job Creation: The company not only retained its initial 25 employees but also expanded its team, hiring ten additional staff members to support the development and deployment of the new features.

Case Study 3:

HealthFirst Gym - Fitness Center

Business and Pre-Pandemic Situation

HealthFirst Gym is a community fitness center in Chicago, Illinois, offering a range of classes and personal training services. Before COVID-19, HealthFirst Gym had 15 employees and a steady membership base.

Programs Utilized: Paycheck Protection Program (PPP) and State-Level Grant

PPP Utilization: HealthFirst Gym received a PPP loan of \$100,000, which was used to cover payroll costs and prevent layoffs during the lockdown.

State-Level Grant: The gym received a \$25,000 grant from Illinois' Business Interruption Grant (BIG) program, which helped cover operational costs and invest in virtual class infrastructure.

Positive Outcomes

Employee Retention and Morale: The PPP loan ensured that all 15 employees remained on the payroll, maintaining morale and stability within the team.

Adaptation to Virtual Services: With the state grant, HealthFirst Gym quickly adapted to the pandemic by launching virtual fitness classes and personal training sessions. This grant not only retained existing

members but also attracted new members from outside the immediate community.

Revenue Recovery and Growth: By mid-2021, HealthFirst Gym's revenue had rebounded to pre-pandemic levels and the virtual class offering continued to be a popular service, contributing to ongoing revenue growth.

V. WHY BUSINESSES NEED TO LEVERAGE GOVERNMENT SUPPORT FOR RECOVERY

The COVID-19 pandemic unleashed a devastating economic storm, threatening to drown countless small businesses in its wake. However, in this perilous time, many businesses weren't left to weather the tempest alone. Government support programs emerged as a vital lifeline, offering a critical safety net to prevent businesses from succumbing to the immediate financial hardships.

These initiatives weren't merely stopgap measures; they played a transformative role in fostering business continuity. By providing crucial financial assistance, government programs empowered businesses to retain their skilled workforce. This not only averted mass layoffs but also preserved essential institutional knowledge, allowing businesses to maintain operational stability when circumstances improved. This focus on employee retention ensured that businesses weren't forced to rebuild their human capital from scratch, facilitating a smoother transition to post-pandemic recovery.

Ultimately, government support programs didn't just provide temporary relief; they played a pivotal role in ensuring the survival of small enterprises. These crucial interventions served as a bulwark against economic collapse, safeguarding the very fabric of local economies and maintaining a thriving small business landscape for the future.

Beyond immediate financial relief, government support programs catalyze the long-term sustainability and growth of small businesses. These programs go beyond simply plugging temporary holes in cash flow; they act as an incubator for innovation and adaptation. By providing essential resources, they empower small

businesses to not only weather current storms but also thrive in the ever-evolving economic landscape.

One crucial benefit is the fostering of business agility. Government support allows small businesses to invest in critical areas like digital transformation and remote work infrastructure. This empowers them to adapt to changing market demands and consumer preferences. In the face of a digital revolution, transitioning to online platforms and remote services becomes essential for remaining competitive. Government support programs provide the financial runway for small businesses to embrace these transformative changes.

Furthermore, continued government support can equip small businesses to navigate ongoing challenges. Supply chain disruptions and persistent financial uncertainties continue to pose significant threats. Targeted assistance programs and additional funding can empower these businesses to overcome these hurdles. By addressing these ongoing challenges, government support paves the way for sustained recovery and future growth.

The impact is multifaceted. Government support programs not only provide immediate relief but also act as a springboard for long-term success. They empower small businesses to adapt, innovate, and navigate challenges, ultimately positioning them for a robust and sustainable future within the evolving economic landscape.

Presently several government support programs remain important for the recovery and growth of small businesses in the United States. The State Small Business Credit Initiative (SSBCI) continues to enhance small business lending and investment with nearly \$10 billion in funding under the American Rescue Plan with a focus on communities with lower pay. The Small Business Administration (SBA) maintains its 7(a) and 504 loan programs, prioritizing minority, women, and veteran-owned businesses, and the Economic Injury Disaster Loan (EIDL) program still provides low-interest loans to businesses impacted by the pandemic. Also, the Main Street Lending Program supports small and medium-sized businesses facing ongoing economic challenges while the Paycheck Protection Program (PPP) offers loan

forgiveness to alleviate financial burdens. Infrastructure initiatives, such as the Bipartisan Infrastructure Law, invest in broadband expansion, significantly benefiting small businesses by improving access to essential services and markets.

DISCUSSION

Government support programs have been instrumental in aiding the recovery of small businesses from the devastating impacts of COVID-19. Programs such as the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and various state-level initiatives provided comforting financial relief, enabling businesses to retain employees, adapt their business models, and continue operations during an unprecedented economic crisis.

These programs played a beneficial role in job retention and operational stability. For instance, PPP and EIDL were essential in helping businesses retain their workforce and maintain operations during periods of reduced revenue and increased uncertainty (US Small Business Administration, 2021). Also, the funding facilitated business adaptation and innovation such as adopting digital solutions and expanding service offerings to meet changing consumer demands (Federal Reserve, 2020).

Despite the success of these programs, challenges remain. Many small businesses continue to face financial hardships, supply chain disruptions, and the need for ongoing support to fully recover and thrive in a post-pandemic economy (California Office of the Small Business Advocate, 2021). Ensuring equitable access to resources and addressing the varying needs of different industries will be crucial.

There are also significant opportunities for the government to enhance support. Additional funding, extending loan forgiveness programs, and providing targeted assistance to the hardest-hit sectors can further aid recovery. Continued investment in digital infrastructure and training can help small businesses capitalize on new market opportunities and improve resilience.

By fostering an environment where small businesses can access necessary resources and support, these

programs have the potential to promote long-term sustainability. Businesses that leverage these opportunities can build stronger foundations, making them more resilient to future economic shocks. Government support can also spur innovation and growth, enabling small businesses to expand their market reach, create new jobs, and contribute to the broader economic recovery. Continued collaboration between government entities and small businesses will be essential in driving forward a robust and inclusive economic recovery.

REFERENCES

- [1] Bartik, A. W., Bertrand, M., Cullen, Z., Glaeser, E. L., Luca, M., & Stanton, C. T. (2020). The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences*, 117(30), 17656-17666.
- [2] California Office of the Small Business Advocate. (2021). California Small Business COVID-19 Relief Grant Program. California Governor's Office of Business and Economic Development. Retrieved from <https://business.ca.gov/coronavirus-2019>
- [3] California Office of the Small Business Advocate. (2021). California Small Business COVID-19 Relief Grant Program. California Governor's Office of Business and Economic Development. Retrieved from <https://business.ca.gov/coronavirus-2019>
- [4] Casselman, B., & Cohen, P. (2020). Nearly 100,000 establishments that temporarily shut down are now out of business. *The New York Times*. Retrieved from <https://www.nytimes.com/2020/09/28/business/economy/small-businesses-coronavirus.html>
- [5] Decker, R., Haltiwanger, J., Jarmin, R. S., & Miranda, J. (2014). The Role of Entrepreneurship in US Job Creation and Economic Dynamism. *Journal of Economic Perspectives*, 28(3), 3-24.
- [6] Fairlie, R. W. (2020). The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months After Widespread Social-Distancing Restrictions. *Journal of Economics & Management Strategy*, 29(4), 727-740.

- [7] Federal Reserve. (2020). Main Street Lending Program. Board of Governors of the Federal Reserve System. Retrieved from <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>
- [8] Federal Reserve. (2020). Main Street Lending Program. Board of Governors of the Federal Reserve System. Retrieved from <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>
- [9] US Census Bureau. (2021). Small Business Statistics. Annual Survey of Entrepreneurs*. Retrieved from <https://www.census.gov/programs-surveys/ase.html>
- [10] US Department of the Treasury. (2021). Paycheck Protection Program (PPP) Report. US Treasury Department. Retrieved from <https://home.treasury.gov/system/files/136/PPP-Results.pdf>
- [11] US Department of the Treasury. (2021). Paycheck Protection Program (PPP) Report. US Treasury Department. Retrieved from <https://home.treasury.gov/system/files/136/PPP-Results.pdf>
- [12] US Small Business Administration. (2020). Small Business Employment Dynamics. SBA Office of Advocacy. Retrieved from <https://advocacy.sba.gov/2020/04/24/covid-19-small-business-employment>
- [13] US Small Business Administration. (2021). Economic Injury Disaster Loans (EIDL) Report. SBA Office of Disaster Assistance. Retrieved from <https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans>
- [14] US Small Business Administration. (2021). Economic Injury Disaster Loans (EIDL) Report. SBA Office of Disaster Assistance. Retrieved from <https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans>
- [15] US Small Business Administration. (2021). Paycheck Protection Program (PPP) Report. US Treasury Department. Retrieved from <https://home.treasury.gov/system/files/136/PPP-Results.pdf>
- [16] US Small Business Administration. (2021). Paycheck Protection Program (PPP) Report. US Treasury Department. Retrieved from <https://home.treasury.gov/system/files/136/PPP-Results.pdf>
- [17] US Small Business Administration. (2021). Small Business Economic Impact. Office of Advocacy. Retrieved from <https://advocacy.sba.gov/2021/01/15/small-business-economic-impact>
- [18] US Small Business Administration. (2021). Small Business Economic Impact. Office of Advocacy. Retrieved from <https://advocacy.sba.gov/2021/01/15/small-business-economic-impact>