



# 2021 Top Small Business Industries Report



## About the Biz2Credit Top Small Business Industries Study

Biz2Credit, a leading online funding provider to small businesses, analyzed the financial performance of over 200,000 companies that submitted funding requests through the company's online funding platform. The objective of the study is to identify the top industries for small businesses during the preceding year and to measure the performance of businesses based on their industry affiliation.

All companies included in the Biz2Credit survey have less than 250 employees and less than \$10 million in annual revenues. The report covered small businesses across the country, from start-ups to established companies. The company also analyzed lending data from the Paycheck Protection Program (PPP) based on the Small Business Administration's database.



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# EXECUTIVE SUMMARY

## Tech, Finance, Restaurant Businesses Lead the Way in 2021 Top Small Business Industry Lists.

According to the Biz2Credit **2021 Top Small Business Industry Report**, the industry that led in the most key categories is **Information Technology (IT)**. IT received the highest average amount of funding, highest average revenue, and the highest average credit score. New Jersey tops the list of states that supported the IT industry in the last year for the second year in a row.

In other key categories, **Accommodation and Food Services** received the highest approval rate and funded rate. Meanwhile, **Retail Trade** and **Health Care** struggled in the COVID-19 affected economy and lag behind in both approval and funding rates this year.

In an examination of PPP funding trends, the newly-created Biz2Credit **Small Business Recovery Ranking** found that businesses in the **Financial Services** industry (e.g. insurance agents, investment advisors, and financial planners) recovered the fastest from the COVID-19 pandemic. The ranking is a proprietary measure of demand for financing and an industry's need for government-provided relief.

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# INTRODUCTION & BACKGROUND



# THE TOP SMALL BUSINESS INDUSTRIES FOR 2021

In an examination of the financial opportunity available to small businesses in 2020, Biz2Credit research provides a window into the performance of various types of U.S. small businesses in response to the unprecedented COVID-19 global pandemic. Small businesses across industries were negatively affected by the effects of the pandemic, but the research shows that some industries fared better than others.

Patterns in financing applications that were seen in prior years surprisingly continued for multiple industries in 2020, including for **Accommodation & Food Service**, where restaurants and hotels make up the majority, as application approval rates for small business loans and financing remained constant compared to 2019 and 2018. Restaurants had the highest approval rate compared to any other industry (51%).

The pattern also continued in the **Information Technology** industry, as IT companies showed the highest overall performance across key dimensions of small business financial health such as revenue and the credit score of the business owner.

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# THE TOP SMALL BUSINESS INDUSTRIES IN 2021

**The 2021 Biz2Credit Top Small Business Industries Report uses a comparison among industries classified according to the NAICS system for the calendar years of 2021, 2020 and 2019.**

Small businesses were faced with unprecedented challenges in 2020 as the COVID-19 pandemic surged across the country and caused lockdowns and economic shocks across many parts of the country. Business owners during this time were given a lifeline through various government relief programs, most notably the Small Business Administration's Paycheck Protection Program (PPP) which issued more than \$750 billion to 5+ million small businesses around the country. New for this year, the report measures the resiliency of businesses across different industries based on their ability to bounce back from the economic shock of the pandemic.

## Key metrics measured for each industry include:

- Annual Revenue
- Age of Business
- Approval Rate
- Operating Expenses
- Owner's Credit Score
- Funding Rate
- Resiliency Score
- Approved Amounts
- Funded Amounts

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# KEY FINDINGS OF THE 2021 TOP SMALL BUSINESS INDUSTRIES REPORT

The central graphic consists of a white clipboard with an orange clip at the top, containing a checklist with eight items. The first five items are marked with green checkmarks, while the last three are marked with empty green boxes. To the left of the clipboard are two bar charts: one in a speech bubble with two green arrows pointing up, and another in a simple box. To the right are a line graph in a speech bubble, a pie chart, and a donut chart in a speech bubble showing 40% completion.

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# KEY FINDINGS: INDUSTRY PERFORMANCE MEASURES

Biz2Credit research finds that small businesses across different industries fared differently in response to the economic pressures of the COVID-19 pandemic. Approval rates rose for all of the top five industries covered in the analysis compared to a year ago. This year, key findings from the report indicate that the recovery among small businesses has been uneven across industries, and suggests targeted opportunities for additional private and public support of the small business sector.

- **The report finds the following key trends among U.S. small businesses:**

- 1. Information Technology (IT) companies lead in FICO and Annual Revenue**
- 2. Accommodation and Food venues saw the highest average approval rates for financing**
- 3. Financial and Insurance companies experienced the greatest strength of recovery from COVID-19 lockdowns**

- **Year-over-year, approval rates across multiple industries actually increased as financing from government-backed programs was released.**

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# KEY FINDINGS: SUMMARY



Industries that had a high demand for credit, but low levels of distress were **Finance and Insurance, Retail, Real Estate, and Wholesale Trade, and Manufacturing.**



The industry with the highest approval rates and funding rates was **Accommodation and Food Service** followed by **Retail.**



The industry with the highest average funded amount was **Information Technology** at \$320,145.



The industry with the highest average revenue and the highest owner's credit score was also **Information Technology.**



The industry with the youngest businesses which corresponds to the highest number of recent startups was **Transportation and Warehousing.**

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# INSIGHT FROM BIZ2CREDIT CEO, ROHIT ARORA

// In this report, we have quantified what we knew anecdotally about the state of small businesses in this country. Financial and realty businesses did exceptionally well at recovering from the pandemic.

As the pandemic raged, Information Technology businesses boomed, seeing their average revenue and owners' credit scores rise above other businesses. Meanwhile, the rise of startups in the Transportation industry shows that American entrepreneurs have responded to the logistical challenges of ecommerce and pandemic-era travel shocks with a new wave of ventures. //

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# TOP INDUSTRIES FOR 2021

## Approval and Funded Rates:

**Accommodation and Food Services** had the highest average approval rate for all financing applications at 57% and also had the highest average funded rate among businesses at 26% of applications being funded. Close behind were **Retail Trade** (55% and 26%) and **Health Care** (54% and 23%).

### Accommodation and Food Services

57%

Approval Rate

26%

Funded Rate

## Age of Business (months):

**Transportation and Warehousing** had the youngest businesses with an average age of just 54 months (4.5 years)

**Health Care & Social Assistance** had the oldest businesses with an average age of 91 months (7.6 years)

### Transportation and Warehousing

54 mo.

Youngest Industry

### Health Care & Social Assistance

91 mo.

Oldest Industry

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# INDUSTRY HIGHLIGHTS BY FUNDING

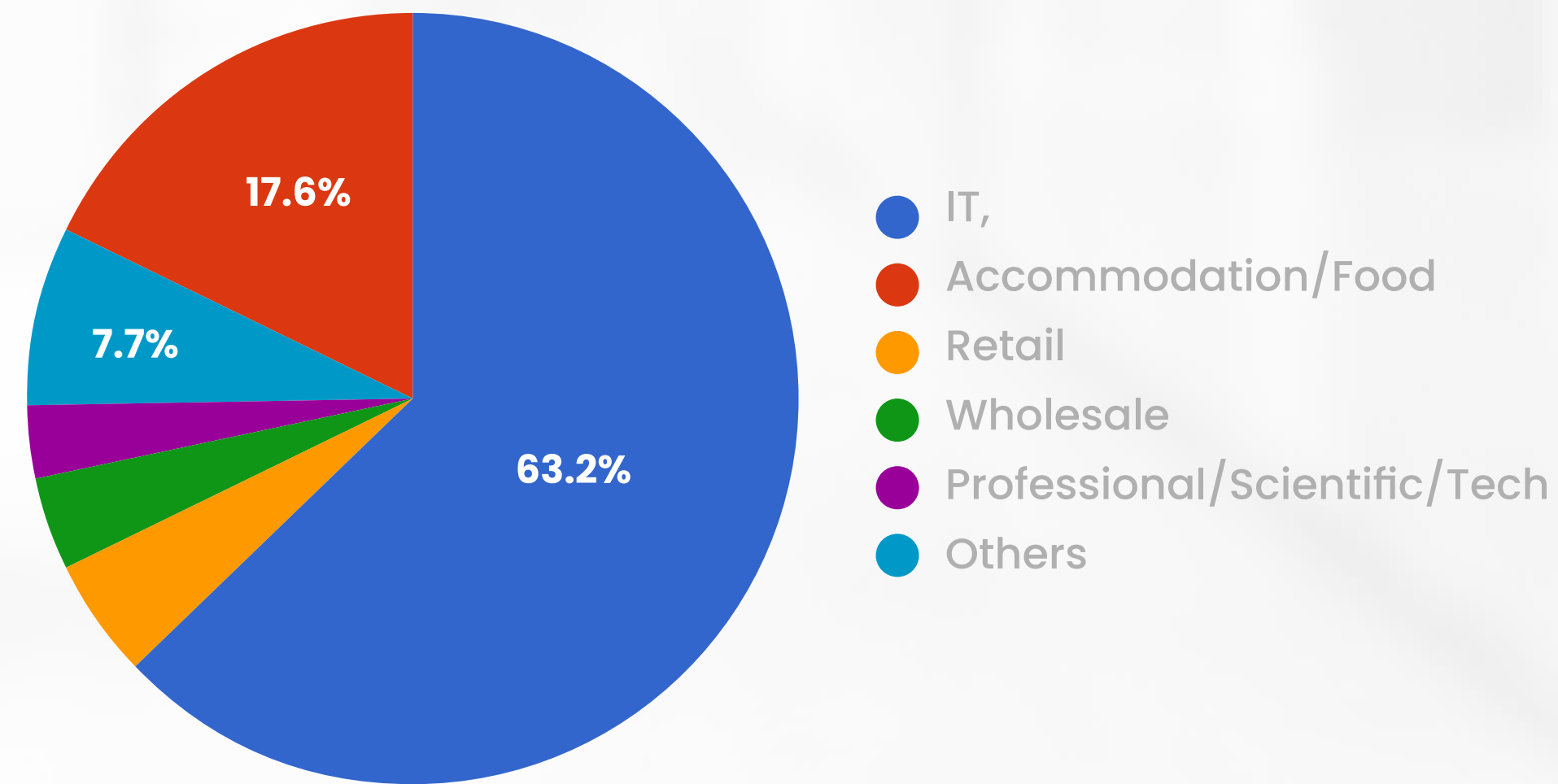
- The industry with the highest total volume of funding in 2020 was the **Information Technology** industry which soaked up 18% of all funding issued across the entire country.
- The next highest funded industries across the country were **Accommodation and Food Services (15.3%)** and **Health Care and Social Assistance (8.2%)**.
- **New Jersey** was the state with the highest funding concentration in the IT industry in 2020. A massive 63.2% of funded dollars in New Jersey went to IT companies.

## Information Technology



\* Measured in 2020 funding amount across all industries

New Jersey Allocation % to Industries



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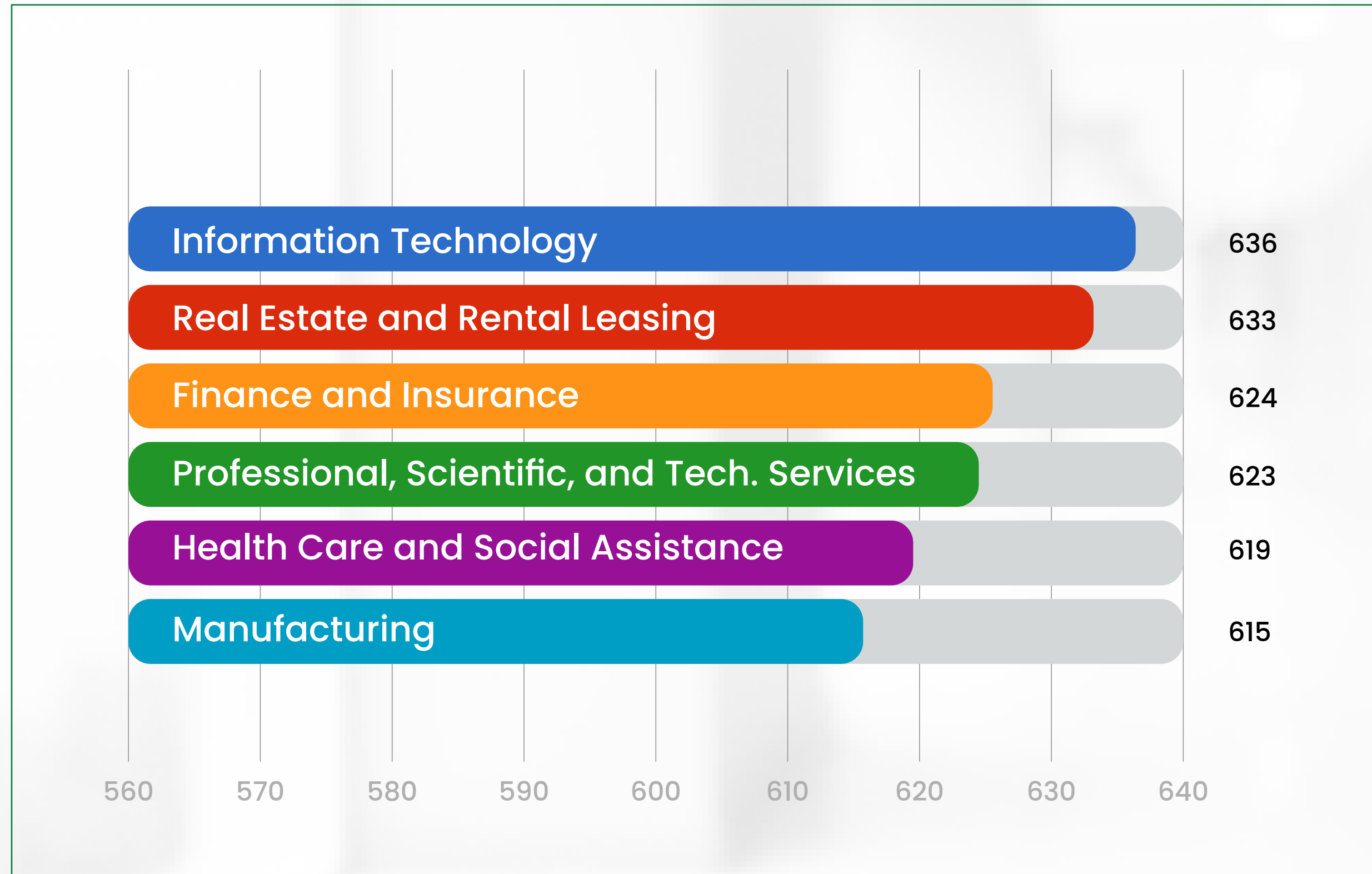
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# INDUSTRY HIGHLIGHTS BY CREDIT SCORE

- The industry with the highest average credit score: Information Technology at 636.
- The next highest FICO scores were in Real Estate (633), Finance and Insurance (624), Professional and Technical (623), and Health Care (619).



Note: Calculation of owner FICO scores is taken for all financing applications irrespective of approval or funding status.

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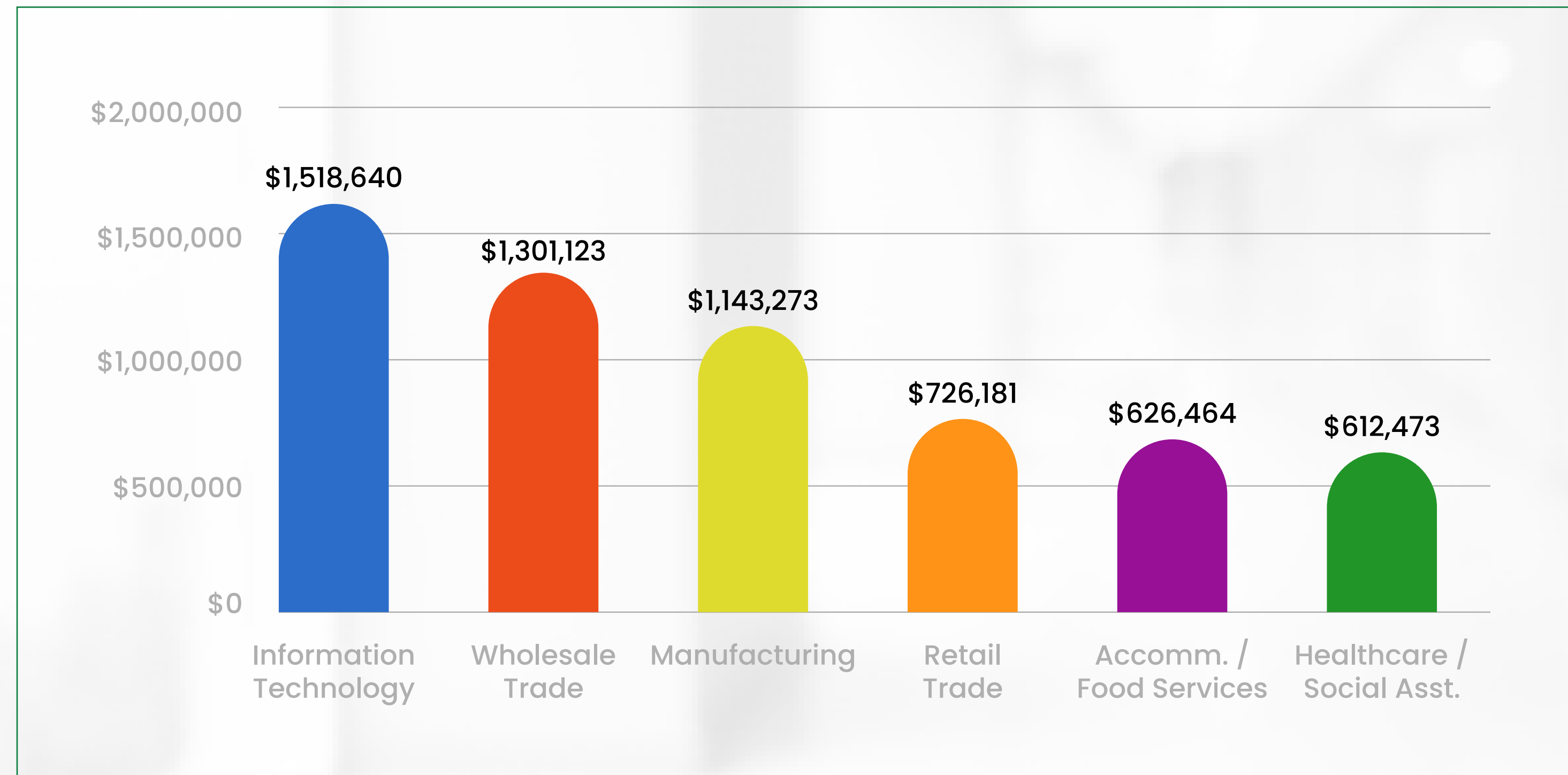
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# INDUSTRY HIGHLIGHTS BY AVERAGE REVENUE

- The industry with the highest average revenue in 2020 (the year measured for this report) was Information Technology with an average revenue of over \$1.5 million (\$1,518,640).
- This is followed by Wholesale Trade (\$1.3M), Manufacturing (\$1.1M), Retail Trade (\$750K), Accommodation and Food Services (\$626K), and Health Care and Social Assistance (\$612K).



Note: This data represents averages based on all completed financing applications covered in the report.

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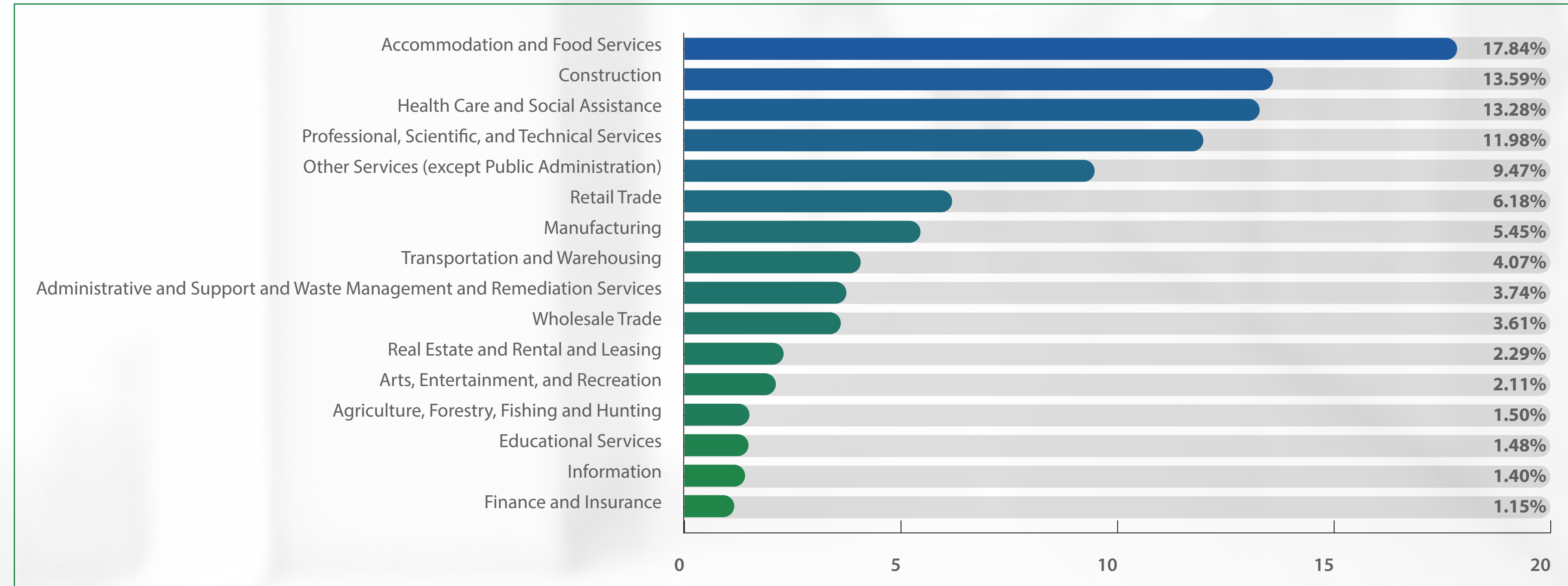
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# INDUSTRIES MOST LIKELY TO WORK WITH A CPA FIRM

- Biz2Credit also analyzed how frequently businesses in different industries worked with a CPA firm for financing applications. The report covers the percentage of clients by industry across all CPA firms who secured funding for clients in 2021.
- The top five industries working with CPA firms are Accommodation and Food Services (17.8%), Construction (13.6%), Health Care (13.3%), Professional Services (12.0%) and Other Services (9.5%).
- The Other Services category includes beauty salons, repair shops, laundry services and professional associations, among a range of other types of services businesses.



Source: CPA Business Funding Portal

\* Industries with less than 1% not included in the report, Data will not add up to 100%.

Note: This data is sourced from the CPA Business Funding Portal, which Biz2Credit and CPA.com created to help CPA firms provide more financing to their clients.



# ANNUAL TRENDS AMONG TOP INDUSTRIES FOR 2021

The top industries this year saw significant changes from a year ago as the COVID-19 pandemic accelerated economic changes that were underway and further entrenched certain trends.

- **Information Technology** had the highest average funded amount and the highest FICO scores in 2020. Funded amounts increased from \$102,029 to \$320,145 (growth of 214%) and FICO scores rose 3 points from 633 to 636 in the IT industry during the pandemic.
- **Accommodation and Food** companies saw a growth in the average Approval and Funded Rates for their financing requests during 2020. Approval rates in the industry rose from 51% to 56% and Funding Rates also ticked higher to 26%.
- **Financial Services** companies proved the most resilient in recovering from the effects of the pandemic. Growth capital applications from these companies represented a higher percentage of their total financing requests compared to the height of the pandemic.



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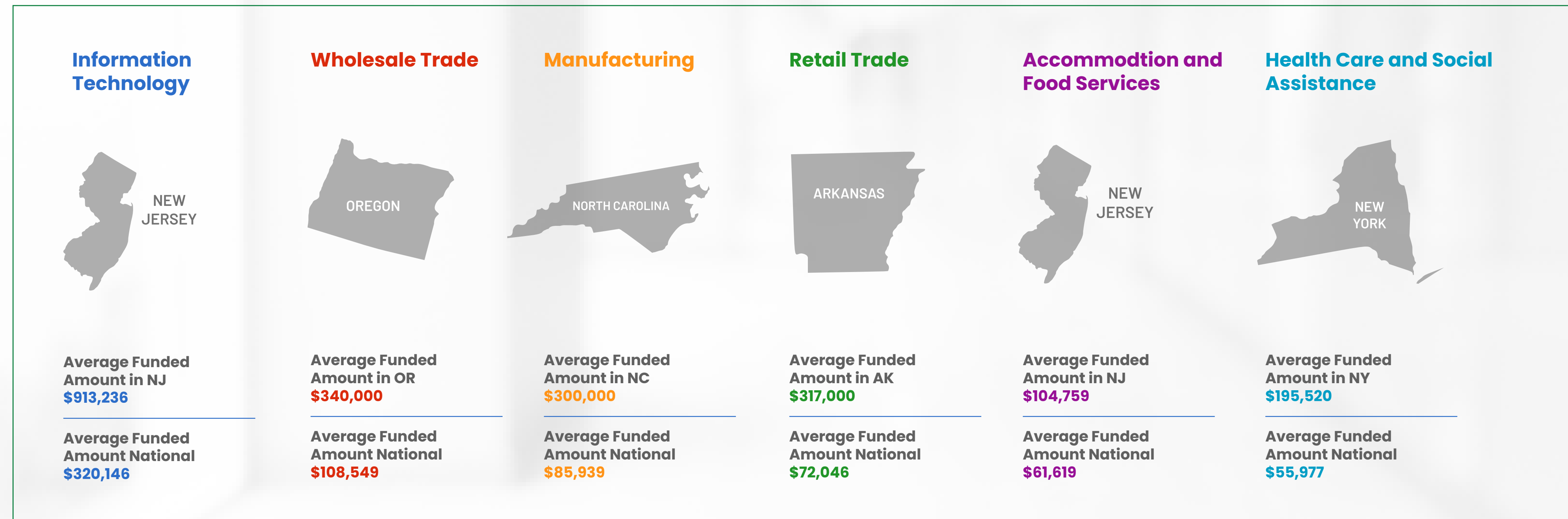
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# STATE-WISE FUNDING LEVELS VARY WIDELY BY INDUSTRY

- Six industries represented the highest volume of small business financial activity in 2020. These industries are Information Technology, Wholesale Trade, Manufacturing, Retail Trade, Accommodation and Food Services, and Health Care and Social Assistance.
- States where these industries were strongest in terms of average funding amounts varied, but especially states in the Northeast, Pacific Northwest and the South were among those States where these six active industries experienced the highest average volume of funding compared to other industries.



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# THE SMALL BUSINESS RECOVERY RANKING

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# ABOUT THE **BIZ2CREDIT RECOVERY RANKING**

The **Biz2Credit Recovery Ranking** is a new measure created to assess the extent of economic recovery from the COVID-19 pandemic across small business industries. It is based on demand for small business credit measured directly by Biz2Credit and data taken from the Small Business Administration (SBA) public records on PPP loan approvals.

It is a proprietary metric that is based on an analysis of two underlying dimensions: a) whether the demand for credit in an industry is high or low and b) whether the economic distress level for an industry is high or low. The output is a metric expressed in percentage terms that details whether businesses in a particular industry are, on average, performing well or poorly in the current environment.

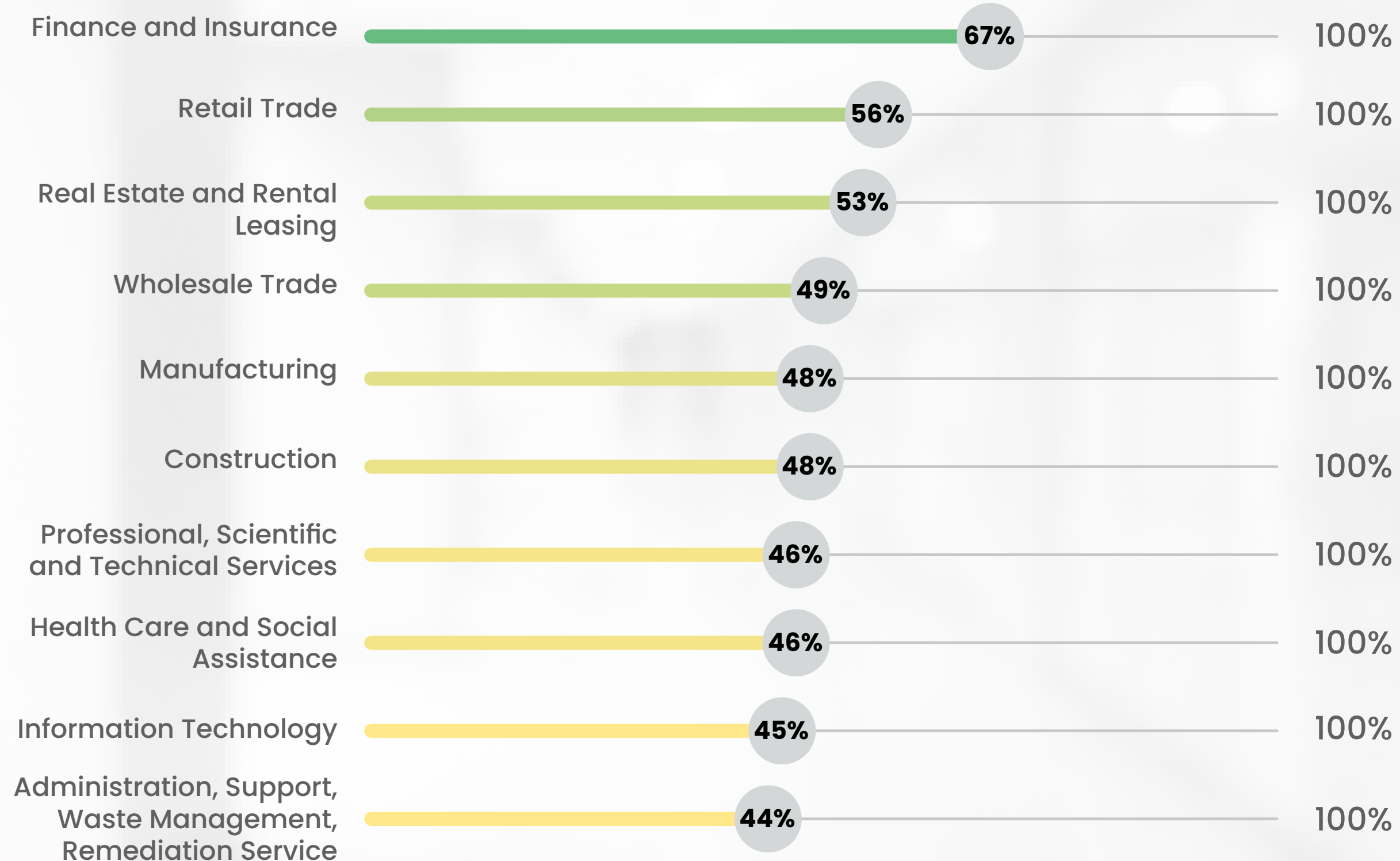
- A high percentage means that businesses in a particular industry are recovering well from the pandemic.
- A low percentage means that businesses in a particular industry are recovering poorly from the pandemic.

The rankings provide a method of comparing industries in which small businesses had a high level of demand for growth capital compared to the overall level of need for government-backed relief in a given industry. Companies that showed a high need for credit while displaying a low need for additional government assistance are ranked with a high percentage in the *Recovery Ranking*. The primary form of government assistance measured in the *Recovery Ranking* are Paycheck Protection Program (PPP) loans issued in 2021 compared to 2020. The economic distress level in particular measures whether companies that took PPP loans in Round One required additional funding in Round Two.

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# RECOVERY RANKING ACROSS INDUSTRIES: TOP 10

Industries that had a high demand for credit, but low levels of distress were **Finance and Insurance, Retail, and Real Estate**. A Recovery Ranking above 50% is considered a sign of strong economic recovery for an industry.



Note: Some industries are removed from the Top 10 ranking due to not meeting sample size or other parameters

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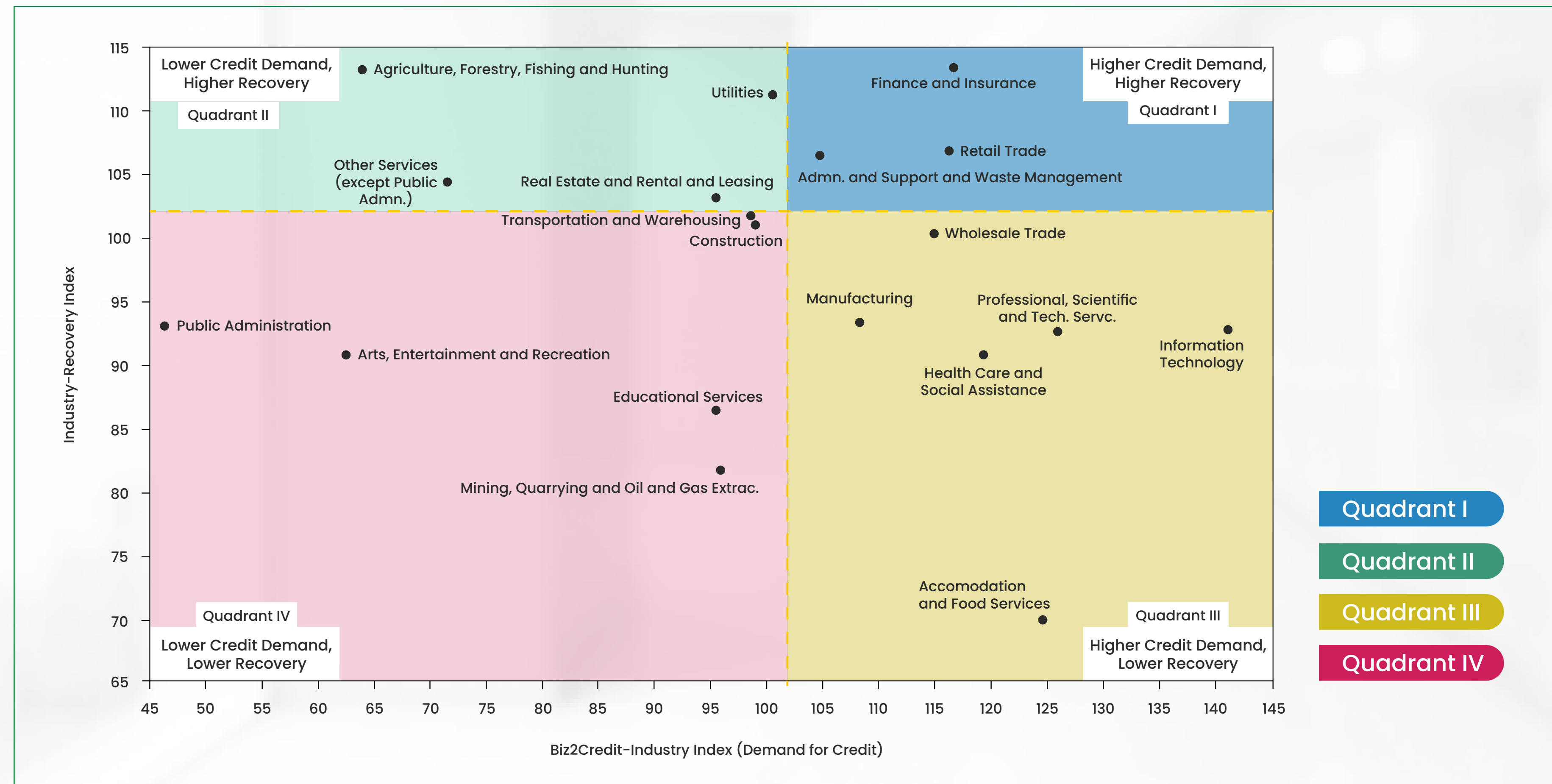
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# THE BIZ2CREDIT RECOVERY RANKING MATRIX

The Recovery Ranking is based on the demand for small business credit and the level of economic distress exhibited by businesses in a particular industry. The Matrix plotted below illustrates how industries compare on these dimensions.



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# THE BIZ2CREDIT RECOVERY RANKING MATRIX

## Higher Credit Demand, Higher Recovery (Quadrant I)

Industries in this quadrant had a high demand for credit and are better positioned to benefit from access to additional capital. These industries include Finance and Insurance; Retail Trade; Administrative, and Support and Waste Management and Remediation Services.

## Lower Credit Demand, Higher Recovery (Quadrant II)

Industries in this quadrant have been relatively less impacted by the pandemic and are anticipating a recovery without exhibiting high demands for growth capital. Such industries include: Real Estate and Rental and Leasing; Services (except Public Administration); and Agriculture, Forestry, Fishing and Hunting.

## Higher Credit Demand, Lower Recovery (Quadrant III)

Industries in this quadrant had a high demand for credit but also required considerable assistance from government lending programs, especially PPP. These industries include: Information Technology (IT); Professional, Scientific, and Technical Services; Accommodation and Food Services; Health Care and Social Assistance; Wholesale Trade; and Manufacturing.

## Lower Credit Demand, Lower Recovery (Quadrant IV)

Industries in this quadrant have been severely impacted by the pandemic and are experiencing a slow recovery, aided in most cases by significant government relief financing. These industries include: Construction; Transportation and Warehousing; Educational Services; Arts, Entertainment and Recreation; and Public Administration.

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# METHODOLOGY: INDUSTRY DEFINITIONS

The report covers industries based on the NAICS classification system. This includes the following categories:

- **Accommodation and Food Service:** Restaurants and bars, caterers, hotels, motels, other food businesses.
- **Business and Professional Services:** Accounting and tax preparation, bookkeeping, payroll services, legal services, marketing agencies, design services.
- **Healthcare:** General medical services, doctor's offices, dentist's offices, visiting nurse services, residential care facilities, physical therapist offices, mental health clinics.
- **Information Technology (IT):** Software developers, software consultants, high technology staffing firms.
- **Manufacturing:** Companies involved primarily in the manufacture of both durable and non-durable goods.
- **Personal Services:** Beauty salons (e.g. hair salons, nail salons), gyms, dance studios, yoga studios, laundry and dry cleaning, landscaping, cleaning services.
- **Retail Trade:** Brick-and-mortar stores, ecommerce companies, clothing and fashion, florists, grocery stores, pharmacies, home furnishings, vending machine operators.
- **Wholesale Trade:** Food distributors, wholesale grocers, distributors of various durable goods.

Note: Sub industries listed above are for illustrative purposes only. Not a definitive list in all cases.

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# BIZ2CREDIT INDUSTRY RANK



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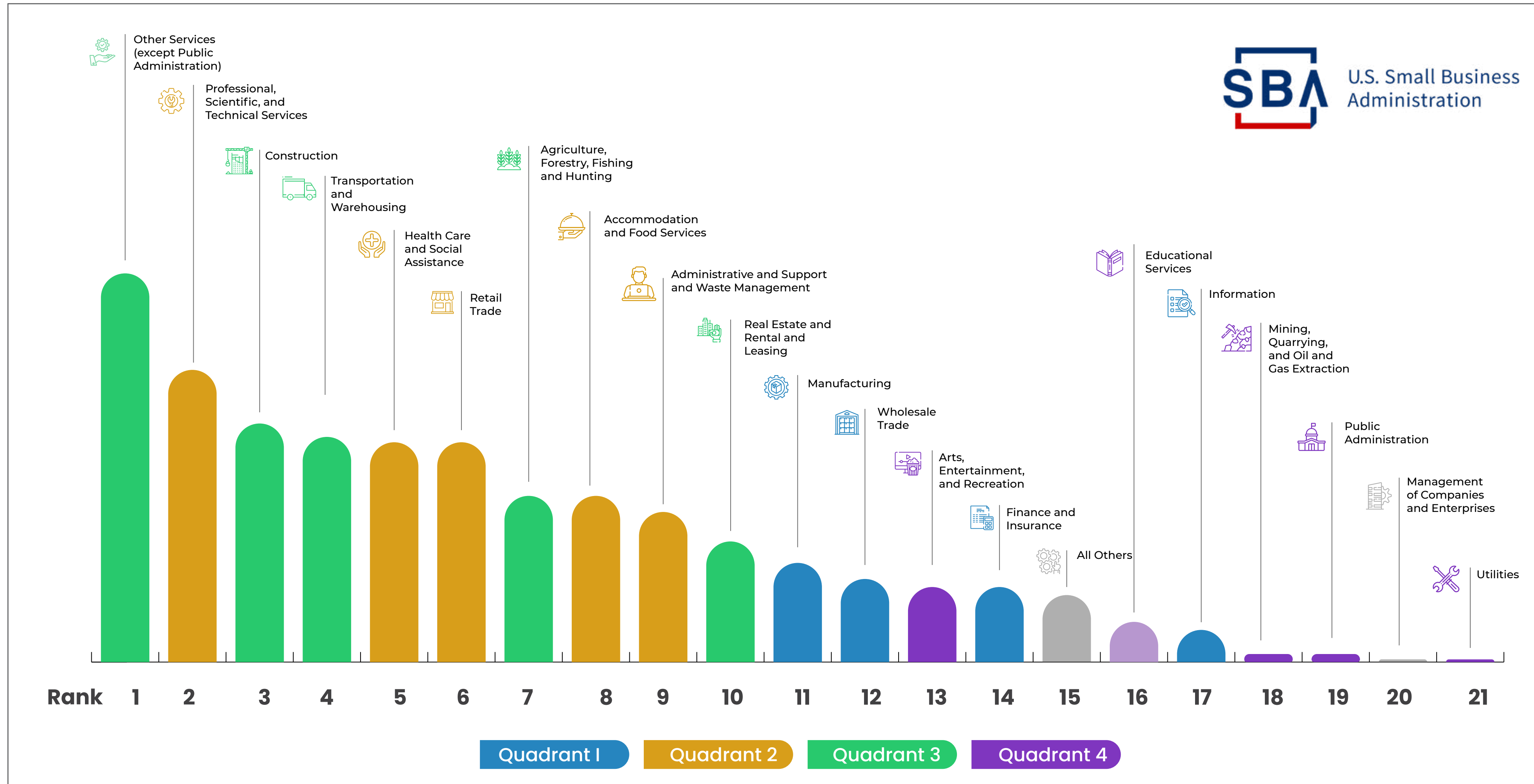
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# SBA INDUSTRY RANK



Source: SBA.gov

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Founded in 2007, Biz2Credit has arranged more than \$7 billion in small business financing. The company is expanding its industry-leading technology in custom digital platform solutions for banks and other financial institutions, investors, and service providers. Visit [www.biz2credit.com](https://www.biz2credit.com) or Twitter [@Biz2Credit](https://twitter.com/Biz2Credit), Facebook, and LinkedIn

