

COVID-19 Missouri Economy Indicators

Small Business Financial Health

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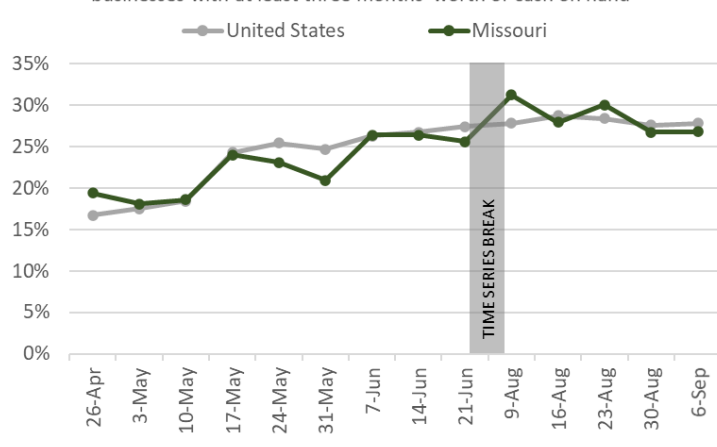
As past Missouri Economy Indicator Briefs have shown, most Missouri small businesses have re-opened since COVID-related disruptions this spring. Additionally, revenue has begun to recover. Revenue gives us a picture of sales trends, but how has overall firm financial health changed? We can look at cash on hand – as reported in the results of the U.S. Census Bureau’s Small Business Pulse Survey¹ – to help us understand how Missouri’s small businesses are faring when it comes to liquidity and short-term financial health.

Cash availability was low this spring

The general rule of thumb is that businesses should have three to six months’ worth of cash on hand.² As of late April, 43% of Missouri’s small businesses had enough cash on hand to cover less than a month’s worth of business operations. Only 19% of businesses had enough cash on hand to last three months or more. These numbers were better than overall U.S. metrics at the time, however; across the U.S. 48% of small businesses had enough cash on hand to cover less than a month’s worth of business operations. Only 17% had enough cash on hand to last three or more months.

Figure 1: Three Months or More Cash on Hand

Week of April 26 to week of September 6; percent of small businesses with at least three months’ worth of cash on hand



Cash availability has improved

As seen in Figure 1, cash availability has improved for Missouri small businesses since data collection began in late April—as businesses were just starting to re-open. As of early September, about 37% of Missouri’s small businesses had enough cash on hand to cover less than one month’s worth of business, down six percentage points since late April. 27% of businesses had enough cash on hand to last three or more months, an increase of eight percentage points over the same time period. Much of this improvement came in May and June. It appears that improvement has slowed in recent months.

Cash on hand at the national level has improved on a similar trajectory. These state- and national-level improvements confirm what previous Missouri Economy Indicator briefs have suggested – small businesses are more financially healthy than they were this spring.

Outlook regarding business health is mixed

The Small Business Pulse Survey asked owners about plans for their businesses, and results were mixed (Figure 2). The good news: over a quarter of Missouri small businesses say they need to identify and hire new employees within the next six months, a sign of expected economic expansion. This rate is higher than for most neighboring states – by between two and eight percentage points – except Kansas and Nebraska.

Figure 2: In the next six months, which of the following do you think this business will need to do?

	Missouri	United States
Increase marketing or sales	30%	33%
Identify and hire new employees	26%	23%
Obtain financial assistance or additional capital	17%	23%
Identify new supply chain options	17%	13%
Learn to better provide for the safety of customers and employees	15%	16%
Develop online sales or websites	13%	13%
Permanently close this business	3%	5%
None of the above	41%	37%

The bad news is that 3% of Missouri small business owners expect their business will permanently close within the next six months. Additionally, 17% of Missouri small businesses expect they will need to obtain financial assistance or other capital within the next six months.

However, this rate is between one and nine percentage points lower than for

neighboring states. These comparisons in outlook metrics suggest that, in coming months, Missouri businesses may be in a better position than businesses in neighboring states.

Additional Resources

- **U.S. Small Business Administration Business Guide** provides basic information and tips on many of the business activities mentioned in this brief, including managing finances, hiring employees, and marketing and sales. This information can be found at <https://www.sba.gov/business-guide> under “Manage Your Business.”
- **Missouri Small Business Development Center COVID-19 Resource Page** has a small business guide to the CARES Act, video guides and other resources at sbdc.missouri.edu/sbdc-covid-19-resources

Sources

1. U.S. Census, Small Business Pulse Survey (SBPS), 2020. Accessed at <https://portal.census.gov/pulse/data/#data>
2. Worth, Joe. 2014. "How Much Cash on Hand Is Too Much? And What Should I Do With It?" *Entrepreneur* magazine. Accessed at <https://www.entrepreneur.com/article/230204>

This brief is the fourteenth in a series meant to explore economic indicators associated with the COVID-19 pandemic. Future updates will be available at tinyurl.com/ExceedEconomyIndicators

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