



**New York State Senate Standing Committees on Banks and Commerce,
Economic Development and Small Business Hearing on Access to Capital for
Small Businesses During the COVID-19 Pandemic**

**Testimony of Empire State Development Executive Vice President of Small
Business and Technology Development, Pravina Raghavan**

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Good morning Chair Kaplan, Chair Sanders and other distinguished Senators here today. My name is Pravina Raghavan, and I am the Executive Vice President of Small Business and Technology Development at Empire State Development (ESD). Thank you for inviting me to participate at this important hearing. As a former small business owner and in my role at ESD, I know from experience that the well-being of our small businesses is of paramount importance to the overall economic vitality of New York State.

As you know, New York was one of the earliest -- and hardest -- hit states by the coronavirus pandemic. At one time, we faced the highest infection rates in the nation and we now have some of the lowest. This is due to Governor Cuomo's science-based, data-driven approach to fighting COVID-19 and guided the state's responsible regionally-based phased-in reopening strategy. The road was long and hard -- and unfortunately, it is not over yet. Throughout it all, ESD has been on the forefront - providing essential guidance, services and counsel to businesses across the state.

It is not easy for most small businesses to simply walk into their bank and fill out a loan application. In fact, according to 2020 estimates, roughly 80% of small business owners are denied financing for multitude of reasons. The COVID-19 crisis has made this even harder. Small businesses' ability to access affordable capital is essential for our state's economic recovery. ESD's programs and products ensure that these businesses, especially microbusinesses and minority- and women-owned enterprises, get the help they need.

Under Governor Cuomo's leadership, ESD has developed and coordinated efforts to help small businesses in their survival and growth during this pandemic. Access to capital is a critical part of a business's foundation, however, small businesses also need dedicated counseling and support networks especially during this pandemic. Since March, we have launched and funded the following initiatives:

- Started the \$100 million New York Forward Loan Fund;

- Provided financial support to the 70 Entrepreneurship Assistance Centers, Small Business Development Centers and Community Development Financial Institutions to increase the number of counselors and offer remote sessions that have assisted over 68,600 small business owners to receive funding of over \$390 million.
- Provided \$21 million of loan capital to Community Development Financial Institutions (CDFIs) to provide Paycheck Protection Program (PPP) Loans;
- Provided \$400,000 in R&D grant funding to small businesses to increase manufacturing of ventilators, personal protective equipment (PPE), and new technologies in the areas of diagnostics and vaccines;
- Awarded over \$10 million to 20 New York based small businesses to retool production lines in order to manufacture approved COVID-19 critical supplies, such as ventilators, test kits and PPE.
- Created the New York Manufacturing Extension Partnership COVID-19 Recovery Initiative offering \$2.3 million in grants to support New York manufacturers manage the challenges created by COVID-19;
- And most recently, launched Empire State Digital which provides quick solutions to address the urgent needs of small businesses that are looking to survive by partnering with leading global e-commerce companies. This is a first-in-the-nation program offers education, training, marketing support, and discounted pricing.

This crisis has affected all business, but the smallest of the small, those that have fewer than 20 employees, were the hardest hit. Historically, these small businesses have a difficult time accessing capital because they have been locked out of traditional banking relationships.

This made access to the Paycheck Protection Program (PPP) loans more difficult for these businesses as much of this funding went through large lenders. As publicized, many very small and minority and women owned businesses were unable to access or receive PPP. Most of the loans went to the big banks' own top tier customers.

We worked with our Federal delegation to have CDFIs supported in Round 2 of PPP. To ensure that truly small business received help, ESD provided \$21 million of loan capital to CDFIs so they could make PPP loans to microenterprises.

Governor Cuomo recognized that small businesses needed access to capital to weather this crisis and launched the \$100 million New York Forward Loan Fund. This public private partnership allowed CDFIs to scale and to support small businesses to reopen. This program was designed based on the concerns that we heard from small business to access affordable working capital loans, which was an unmet need from PPP and other relief programs.

One example is **GG Bakes** in Rochester which is owned by Denise Gaines and her family. Business was booming prior to March, but COVID-19 shutdowns dealt them a significant blow. To shift their business model, Denise needed access to credit. In Denise's own words, *"We needed to change our business model and do more farmer's markets, so we wanted to ramp up our presence there. But I knew we'd need capital to do that properly. That's when I applied for the loan."*

Small businesses like **GG Bakes** are the lifeblood of New York's economy. Losing businesses like this would be a blow to the vitality of our main streets, a loss of entrepreneurial talent, critical job opportunities and livelihood for thousands of New Yorkers. By providing access to affordable working capital alongside tailored business advisory services, small businesses will now have the tools to recover and grow.

That is why we are working hard at ESD to support the over 527,000 small businesses in New York and will continue to work with our community and private sector partners to give our small and minority and women-owned businesses more paths to recovery.

Again, thank you for inviting me here to discuss the borrowing challenges small businesses face during the COVID-19 pandemic and for your time and attention. I am happy to answer any questions you may have.