

# Did the Paycheck Protection Program Hit the Target?

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## Abstract

This paper provides a comprehensive assessment of financial intermediation and the economic effects of the Paycheck Protection Program (PPP), a large and novel small business support program that was part of the initial policy response to the COVID-19 pandemic in the US. We use loan-level microdata for all PPP loans and high-frequency administrative employment data to present three main findings.

First, banks played an important role in mediating program targeting, which helps explain why some funds initially flowed to regions that were less adversely affected by the pandemic. Second, we exploit regional heterogeneity in lending relationships and individual firm-loan matched data to show that the short- and medium-term employment effects of the program were small compared to the program's size.

Third, many firms used the loans to make non-payroll fixed payments and build up savings buffers, which can account for small employment effects and likely reflects precautionary motives in the face of heightened uncertainty.

Limited targeting in terms of who was eligible likely also led to many inframarginal firms receiving funds and to a low correlation between regional PPP funding and shock severity. Our findings illustrate how business liquidity support programs affect firm behavior and local economic activity, and how policy transmission depends on the agents delegated to deploy it.