



# Addressing barriers to SMB credit access

How issuers can use data to better support SMB growth



## Why issuers should focus on extending credit to SMBs

Small and medium-sized businesses (SMBs) account for 90% of global businesses and more than 70% of the global GDP.<sup>1</sup> The global economy depends on SMB success, and yet small business owners often struggle to secure lines of credit through traditional means.

This is especially true for minority-owned SMBs and business owners in developing countries:

# >20%

less likely that Black, Asian and Hispanic business owners in the U.S. will receive needed financing compared to their white counterparts.<sup>2</sup>

# 65M

firms, representing 40% of SMBs in developing countries, have unfulfilled financing needs of \$5.2 trillion yearly.<sup>3</sup>



Meeting the demand for credit among SMBs represents a profitable opportunity for financial institutions — but several barriers stand in the way of growth.

## Issuer challenges meeting SMB lending needs

Under traditional underwriting processes, issuers can face several difficulties:



### Limited data sources:

Traditional criteria used to evaluate creditworthiness (capacity, capital, collateral and conditions) may not be sufficient in assessing true ability and intention to repay.



### Manual processes:

Interpreting and cross-validating data via manual decisioning can be a time-consuming and costly process — one that's also prone to human error.



### Complexity:

Applicants may be located in geographies where data is hard to access. Also, many issuers face strict regulations regarding data use for credit decisioning.

## How supplementary data can unlock growth



Limited traditional credit data alone can cause thin-file SMB applicants to be overlooked. With the rise of alternative data-driven solutions, issuers can access expanded data sources that support a more holistic and precise evaluation of SMBs creditworthiness.



AI-driven onboarding and credit risk assessment models are also helping to automate credit application and risk evaluation processes, allowing issuers to reduce time to decision on loans and improve customer experiences to better compete with neobanks.

## Benefits of adopting innovative data solutions for lending decisioning

Implementing data solutions to help increase SMB access to credit is a win-win scenario for issuers and SMBs.



### Issuers

- Reduce human error and streamline credit risk evaluations
- Augment traditional data with expanded data sources to improve risk assessment
- Increase client base by serving otherwise potentially overlooked clients



### SMBs

- Increase and stabilize cashflow to better adapt to changing business needs
- Improve ability to manage costs with access to greater purchasing power
- Gain a competitive edge in rapidly evolving, high growth sectors



## Driving the future of banking

In today's digital-first world, customers expect modern banking experiences that help them save time and succeed in reaching their goals – and SMBs are no exception. By taking advantage of the digital revolution and meeting SMB customers where they are, issuers can achieve unprecedented portfolio growth contribute to a global economy where everyone wins. In particular, issuers can better support under-represented communities, such as minority-owned and women-owned businesses.

Issuers can also deliver a powerful value-added service by providing data and insights – such as transaction and cashflow information – to help SMBs better understand their own business performance. This can help drive customer loyalty and support a virtuous cycle of ongoing SMB performance optimization.

1. [The big opportunity behind small businesses, World Economic Forum, 2022](#)
2. [2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey, Fed Small Business, 2024](#)
3. [Attracting Millennial- and Gen Z-Run SMB Borrowers, Datos Insights, 2023](#)

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