

# Confidently Approve More Small Businesses

Strategies for identifying creditworthy small businesses in a dynamic economic landscape.



**LexisNexis®**  
RISK SOLUTIONS

# Small Businesses Are Feeling the Strain of a Shifting Economy



of U.S. importers are small businesses.<sup>1</sup> In a time of increasing import costs, SMBs are facing more credit risks.

As lenders stand positioned at the intersection of risk and opportunity, one truth has been reinforced: small businesses are the lifeblood of the U.S. economy. And the time to support them is now.

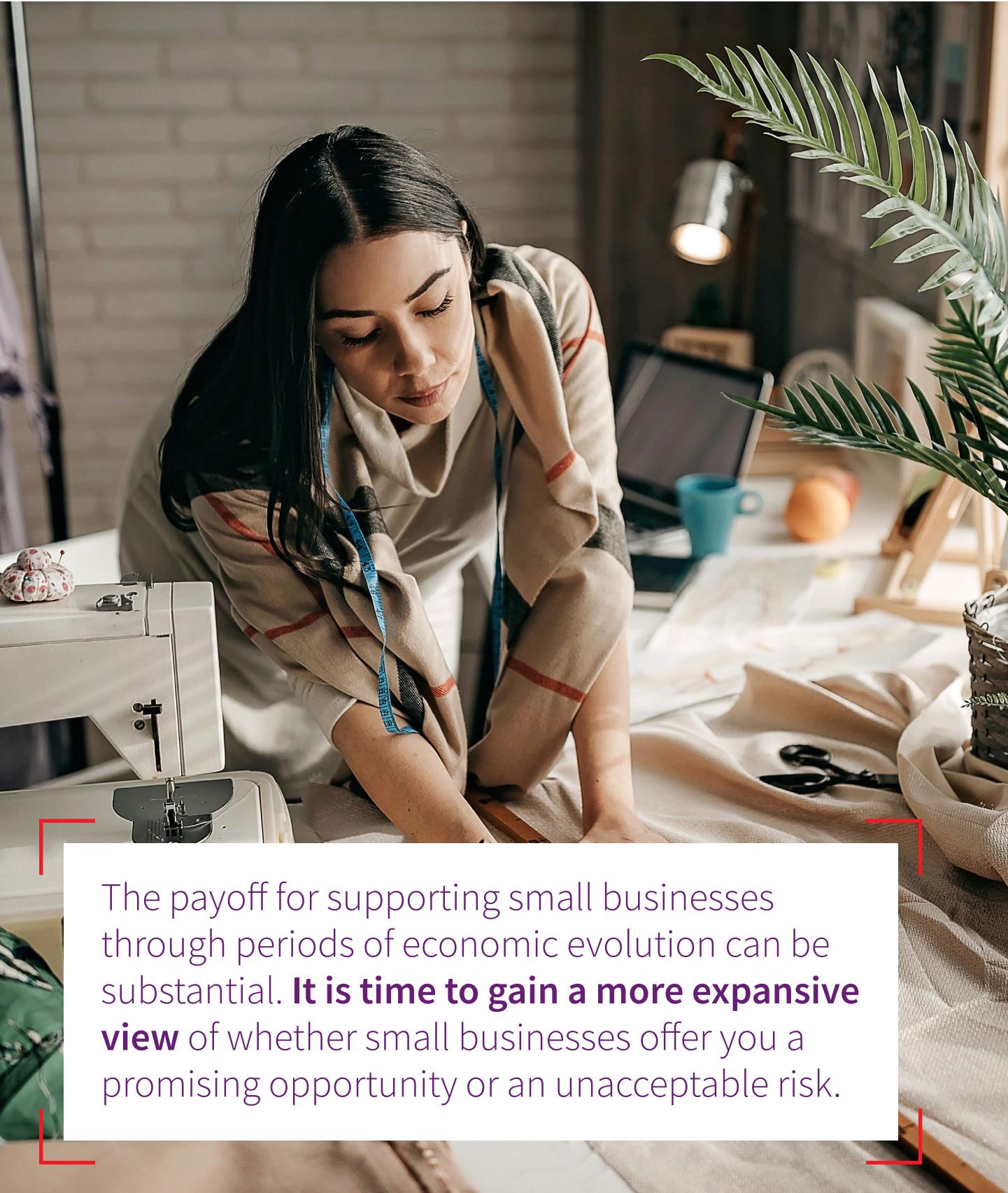
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The industry is dealing with uncertainty driven by tariffs and fears of inflation. In such a dynamic economic environment, questions emerge:

- Can I make a confident lending decision on small business customers with limited credit history?
- Am I missing out on signals that may indicate credit risk?
- How can I gain a more extensive view into the business and its representatives?
- How do I make smart risk decisions while managing against losses?

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<sup>1</sup> U.S. Chamber of Commerce, "Small Businesses, Big Burden: The Cost of Tariffs." May 20, 2025.



# The Small Business Landscape is Changing with the Times

From 2022–2025, small businesses leaned harder on credit to keep pace. But years of financial pressure are manifesting in rising delinquencies.

Navigating a shifting economy is a constant challenge for small businesses. Rising operational costs and supply chain disruptions have frequently been cited as small businesses' top concerns, and have driven many to rely more heavily on credit to manage costs and maintain operations.<sup>2,3</sup> For lenders, these pressures highlight the need to closely monitor risk and adapt credit strategies.

## Small businesses' economic concerns drive up credit usage

From Q1 2022 to Q3 2025, small businesses' credit usage increased to an average \$8,000. This has led to a steady growth of charge-offs.<sup>4</sup>

10% →

increase YoY in small businesses' revolving credit balances

20% →

increase YoY in severe delinquencies among small businesses' accounts

## But there is reason for optimism

Although there are elevated bankruptcies among consumers, fewer business bankruptcies have occurred, revealing optimism among small business operations.<sup>4</sup>

105

The Small Business Optimism Index recently surged to near pre-pandemic levels.<sup>5</sup>

<sup>2</sup>U.S. Chamber of Commerce, "Inflation Remains the Biggest Challenge for Small Business." Q1 2023.

<sup>3</sup>U.S. Chamber of Commerce, "Small Businesses Index Falters as Inflation Concerns Reach Record High." Q1 2025.

<sup>4</sup>LexisNexis® Risk Solutions, "Business Credit Health Trends Across America Q2 2025."

<sup>5</sup>Published by the NFIB, National Federation of Independent Businesses.

# Economic Pressures Drive New Demand

Changing market conditions are leading small businesses to increase their demand for credit.

Today's financial institutions are navigating a uniquely complex landscape. As credit behaviors evolve and competition intensifies, firms are under increasing pressure to reach and qualify prospects faster, smarter and with the right offer.

**7.5% increase** →

New small business lending compared to same period in 2024<sup>6</sup>

**11% decrease** ←

Applications to large banks as SMBs seek alternative lenders with higher approval rates<sup>6</sup>

Meeting this demand is an ongoing challenge for lenders. Even though the small business market represents promising opportunity, **finding the quality insights needed to help assess small business credit risk can be a challenge for lenders** due to the lack of breadth and depth of credit history.



## Thin files

It can take an average of **over 4.5 years** for a small business to appear in Small Business Financial Exchange (SBFE) data.<sup>7</sup>



## Lack of visibility

The U.S. Small Business Administration reports that **76%** of all small business owners use personal credit cards for business expenses.<sup>8</sup>



## Missing connections

In many cases, the owner or authorized representative of the business **is** the business. There may not be much data on the business itself, but there may be **ample data on the business representative** that can help drive more informed decisions for lenders.



## No physical footprint

As more small businesses operate digitally, many **lack a traditional physical footprint** like storefronts, office locations or utility histories. This limits the signals traditional underwriting models depend on, making evaluations more difficult when using conventional criteria built around physical infrastructure.

**Lenders need additional insights to capture growing demand while managing risk.**

<sup>6</sup>Cardiff, State of the Industry Report. "U.S. Small Business Funding Demand Reaches Fever Pitch in 2025." October 2025.

<sup>7</sup>LexisNexis® Risk Solutions, internal data.

<sup>8</sup>Mastercard Services, "A not so small portfolio optimization opportunity: How advanced analytics can help banks better engage with small businesses." December 2022.

# Better Small Business Insights Open Growth Potential

Get a more holistic view of SMB credit risk and drive portfolio growth with alternative data.



Leverage  
**10,000+**  
sources of alternative data with  
LexisNexis® Risk Solutions<sup>9</sup>

One of the first steps in approving more small businesses is being able to assess their creditworthiness. By tapping into the power of alternative data from LexisNexis® Risk Solutions, combining business and business authorized representative data, lenders can significantly increase their ability to assess a small business compared to leveraging business data alone. By blending alternative data, business data and authorized representative insights together, lenders gain an increased ability to score businesses and identify risk, leading to more confident risk decisions.

## Attract and say yes to more small businesses<sup>10</sup>

Financial institutions across tiers and company sizes drastically improve customer acquisition outcomes when leveraging alternative data.



Improve risk assessment



Increase approval rates  
for qualified applicants



Optimize credit terms or pricing  
to attract ideal customers

<sup>9</sup> LexisNexis® Risk Solutions, "Enhance Your View of Small Business Creditworthiness."

<sup>10</sup> LexisNexis® Risk Solutions. 2025 US Financial Institution Customer Acquisition Report.

# Stay Ahead in a Dynamic Market

As small businesses adapt to shifting economic realities, lenders who dig deeper to understand the full picture of risk stand to gain a competitive edge. Connect business and authorized representative insights to improve credit risk assessment and extend more competitive offers so you can more confidently meet demand in a changing market.

Learn how Small Business Credit Risk Solutions from LexisNexis® Risk Solutions can help transform your small business lending portfolio.

[Visit \*\*risk.lexisnexis.com/approve-more-smbs\*\*](https://risk.lexisnexis.com/approve-more-smbs)



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