**Small lending business in the US banking system**

Community banks play a crucial role in small business lending in the US. Data shows that community banks have a larger share of their total assets in small business loans compared to larger banks. For example, small business loans (under $1 million) made up 12.6% of total assets at community banks with $250 million or less in assets, compared to just 3.6% at banks with over $10 billion in assets.

Community banks are well-positioned to meet the challenges of small business lending, such as the inherent risk and difficulty assessing creditworthiness, due to their deep insights into local economic conditions and businesses. They also tend to focus more on microloans under $100,000, which make up a larger share of their total assets compared to larger banks.

However, small businesses overall continue to face significant financial challenges, with 59% reporting being in fair or poor financial shape in recent surveys. Only 42% of small businesses have their financing needs fully met. While banks remain the primary source of small business loans, there has been a decline in traditional financing applications from small businesses in recent years.

Demographic disparities also exist, with white-owned businesses receiving the largest share (42.4%) of SBA 7(a) loan dollars, while Hispanic, Black, and Native American-owned businesses received much smaller shares. This highlights the lack of access and inclusivity in small business lending.

To address these challenges, banks have opportunities to streamline data collection, leverage proven credit models, update outdated lending processes, upgrade infrastructure, and better utilize data analytics. Adopting more automated, integrated, and data-driven approaches can create a more efficient and equitable small business lending system.

**Small Business Lending Statistics**

**Number of Small Businesses:**

The U.S. has approximately 33.2 million small businesses.

**Loan Applications:**

In 2019, about 43% of small businesses applied for a loan, which dropped to 37% in 2020 and further to 34% in 2021.

**Loan Approval Rates:**

Only 31% of small businesses received the entirety of the funds they sought in 2021, down from 51% in 2019.

**Loan Amounts:**

The average small business loan amount is $663.

**Debt Levels:**

Outstanding debt owed by small businesses has decreased by 80% from 2020 to 2021, with most firms carrying $100,000 or less in debt.

**Loan Demographics:**

**Race:**

White-owned businesses received the largest share of SBA 7(a) loan dollars (42.4%).

Hispanic, Black, and Native American-owned businesses received much smaller shares (7.2%, 3.9%, and 0.7%, respectively).

**Gender:**

Male-owned businesses exhibit a noticeable advantage in receiving 7(a) loan dollars, securing 71.6% of the loan.

**Loan Types:**

Large and small banks remain the primary sources of funding for small businesses, with 43% and 36% of companies, respectively, turning to these institutions for funding.

**Alternative Financing:**

There has been a shift towards alternative financing avenues such as crowdfunding, peer-to-peer lending, and fintech platforms.

**Loan Use:**

Business operations (44.4%), equipment acquisitions (4.4%), and advertising (28.6%) are among the top reasons for seeking business loans.

**Loan Trends:**

New small business lending decreased by 6.7% compared to the same period in 2023.

These statistics highlight the challenges and trends in small business lending in the US banking system, including the decline in traditional financing applications and the disparities in loan approvals based on demographics.

|  |  |
| --- | --- |
| **Statistic** | **Value** |
| Number of Small Businesses | 33.2 million |
| Small Businesses that Applied for a Loan (2019) | 43% |
| Small Businesses that Applied for a Loan (2020) | 37% |
| Small Businesses that Applied for a Loan (2021) | 34% |
| Small Businesses that Received Full Loan Amount (2019) | 51% |
| Small Businesses that Received Full Loan Amount (2021) | 31% |
| Average Small Business Loan Amount | $663 |
| Outstanding Debt Decrease (2020 to 2021) | 80% |
| Businesses Carrying $100,000 or Less in Debt | Most |
| Share of SBA 7(a) Loan Dollars to White-owned Businesses | 42.4% |
| Share of SBA 7(a) Loan Dollars to Hispanic-owned Businesses | 7.2% |
| Share of SBA 7(a) Loan Dollars to Black-owned Businesses | 3.9% |
| Share of SBA 7(a) Loan Dollars to Native American-owned Businesses | 0.7% |
| Share of SBA 7(a) Loan Dollars to Male-owned Businesses | 71.6% |
| Share of Funding from Large Banks | 43% |
| Share of Funding from Small Banks | 36% |
| New Small Business Lending Decrease (2023 to 2024) | 6.7% |

This tabulation provides a concise overview of the key statistics related to small business lending, including loan applications, approval rates, loan amounts, debt levels, loan demographics, loan types, and recent trends.

Community banks play a crucial role in small business lending, but small businesses face significant financial challenges, with only 42% having their financing needs fully met. Demographic disparities exist, with white-owned businesses receiving the largest share of SBA 7(a) loan dollars. To address these challenges, banks should adopt more automated, integrated, and data-driven approaches to create a more efficient and equitable small business lending system.