3 keys to winning more smb loans

Borrowing is a lifeline for many small and medium-size businesses (SMBs), enabling them to grow, invest in equipment, hire employees, and manage cash flow.

Small business financial health is not just important to owners and their employees, but also to the bottom line of the banks and credit unions that serve them. Healthy businesses are better borrowers and spenders. When businesses survive long enough to thrive, they grow to use more banking and payments products.

Furthermore, when businesses succeed, this generally makes them more attractive personal banking accountholders, as well.

While the number of small business applicants has quadrupled since 2019[1], the percentage of SMB applicants who received the full amount of funding they applied for has decreased by more than 20%, even with 57% of small businesses applying for less than $100,000[2].

With this in mind, how can you help small businesses in your community access the financing they need, profitably? Keep these three insights top of mind next time you receive an SMB loan request:

1. **You know the markets your SMB members serve**. You can leverage that knowledge to mitigate credit risk and offer more attractive financing to SMBs – helping you reclaim lost market share.

2. **Retool and accelerate your digital lending experiences to reach the SMB market**. Digital tools provide the automation you need to deliver the quick loan options today's on-the-go businesses expect – empowering you to meet their needs quickly with a fresh user experience.

3. **A true end-to-end digital loan origination platform can help you originate more profitable loans, speed up your process, and offer better service at a lower cost.** Lending technology provides a way to handle these smaller transactions more efficiently and collaborate with SMBs as that seed grows into a more profitable, long-term relationship.

A faster migration to digital can help you better cater to SMBs while protecting margins on digital lending products. Decisions on individual loan applications can be made in a matter of minutes, significantly impacting your bottom line. For example:

- Higher conversion rates and increased margins can boost revenues between 10% and 15%[3].
- Digitizing the borrower journey and touch-time reductions can yield operational efficiency gains between 20% and 30%[4].
- Enhancing risk models and making decisions in more consistent ways can reduce your risk of nonperforming loans (NPLs) between 10% and 25%[5].

While the challenging economic environment we live in combined with stiff competition from fintechs, big techs, and neobanks is reducing interest income for lenders, cost efficiencies gained by end-to-end digital lending technology can help you improve profitability and boost your bottom line.

Use this checklist to help you evaluate your system's readiness to meet the demands of today's busy, tech-savvy business borrowers.

streamline the commercial lending experience

Learn more about our digital lending technology.

For more information about Jack Henry, visit jackhenry.com.

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sources

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