

Powered by Fintech: How Small Businesses Rely on Digital Tools to Succeed

Small businesses are the backbone of the American economy but make up a "missing middle" of enterprises underserved by traditional financial institutions. Financial technology -- or fintech -- companies have stepped in to fill the gap, innovating a responsible, technology-driven approach to expand access to capital and put trusted digital tools in the hands of small businesses. Digitally-native fintechs broaden the geographic reach of financial services, fostering inclusion and ensuring small businesses in every zip code can access the financial tools for success.

Fintech Supports Small Business Every Step of the Way



Brilliant Idea: Fintechs expand access to legal and tax expertise, removing lengthy paperwork, complexity, and fees, so entrepreneurs can set up their companies in a fast, safe, and easy way.



Secure Capital: Fintechs use innovative tools and technology like cash-flow underwriting to get a more accurate and real-time snapshot of a small business's finances, streamlining the application process and speeding up approval times.



Reach Customers: Consumers increasingly want to use digital tools to make payments, but it can be expensive to create a payment system from scratch. Fintechs give small businesses tools to process payments and reach customers anywhere.



Smart Management: Not every business can afford a full-time finance team. Fintechs help small businesses optimize their spend management and streamline time-intensive tasks like accounting, bill pay, and compliance.



Build Equity: Fintech helps growing companies manage equity for their employees, grow retirement and wellness programs, and plan for the next venture.

FTA Advocacy for Small Businesses

The Financial Technology Association (FTA) represents industry leaders that serve tens of millions of small businesses. **FTA supports policy efforts that improve access to capital and other financial services for Main Street businesses**, including the Small Business Administration's expansion of the 7(a) program to non-bank lenders. By leveraging technology and nontraditional data (e.g., cash reserves, deposits, withdrawals, etc.), fintechs can better serve small businesses and fill the credit access gap left by traditional lenders, particularly in tough economic times.



Fintech Impact by the Numbers

60%

NON-BANKS ACCOUNT FOR 60% OF SMALL BUSINESS LENDING¹

\$250K

70% OF SMALL BUSINESSES SEEK LOANS LESS THAN \$250K²

53.6%

FINTECH LENDERS MADE UP OVER HALF OF PPP LOANS TO BLACK-OWNED BUSINESSES³

1. Gopal, Manasa and Schnabl, Philipp, "The Rise of Finance Companies and FinTech Lenders in Small Business Lending" (May 13, 2020). NYU Stern School of Business, Available at <https://ssrn.com/abstract=3600068>.
2. Farrell, Diana and Chris Wheat, "Cash Is King: Flows, Balances, and Buffer Days: Evidence from 600,000 Small Businesses," JPMorgan Chase & Co. Institute 14 (2016).
3. Howell, Sabrina T., "Lender Automation and Racial Disparities in Credit Access," New York University, (November 11, 2022). Available at <https://ssrn.com/abstract=3939384>.

From the local florist processing payments at the farmer's market to the neighborhood restaurant owner seeking a loan for a needed renovation, small businesses are powered by fintech. Millions of small businesses rely on fintech tools to keep their doors open, support jobs in their local communities, and reach customers with digital payment tools and platforms.

Opening Doors to Needed Capital

When Paul and Tasia Ford, owners of Big Red's Hot Sauce in Phoenix, AZ, needed access to financing to take their business to the next level, they were turned away from traditional loans. They eventually found, applied for, and were approved for several **PayPal** Business Loans that helped them to hire more employees, create new flavor lines, and buy a label machine.



Building an Online Store with Fintech Tools



After getting diagnosed with breast cancer at the age of 27, Dana Donofree wanted to use her skills as a fashion designer to help women feel beautiful in their skin again. She launched Philadelphia-based AnaOno as a direct-to-consumer business and used **Intuit's** software and online payments tools to build her store.

Attracting Customers with Buy Now Pay Later

Maya and Mica Caine relied on **Klarna** to attract new customers who might have balked at higher costs for their made-to-measure garments at Mive. "Because we're able to break it down into four payments, [our customers] are able to invest in premium, slow-fashion garments but also not break the bank," the Caine sisters said about the benefits of Buy Now Pay Later.



Streamlining Bill Pay and Banking

Traditional forms of bookkeeping can be time-consuming and expensive. For Michael and Pamela Thwaite, co-founders of Food Days in Warren, New Jersey, fintech leader **Bluevine** was a lifeline. The Thwaites used Bluevine to streamline bill pay and save time on business checking.

