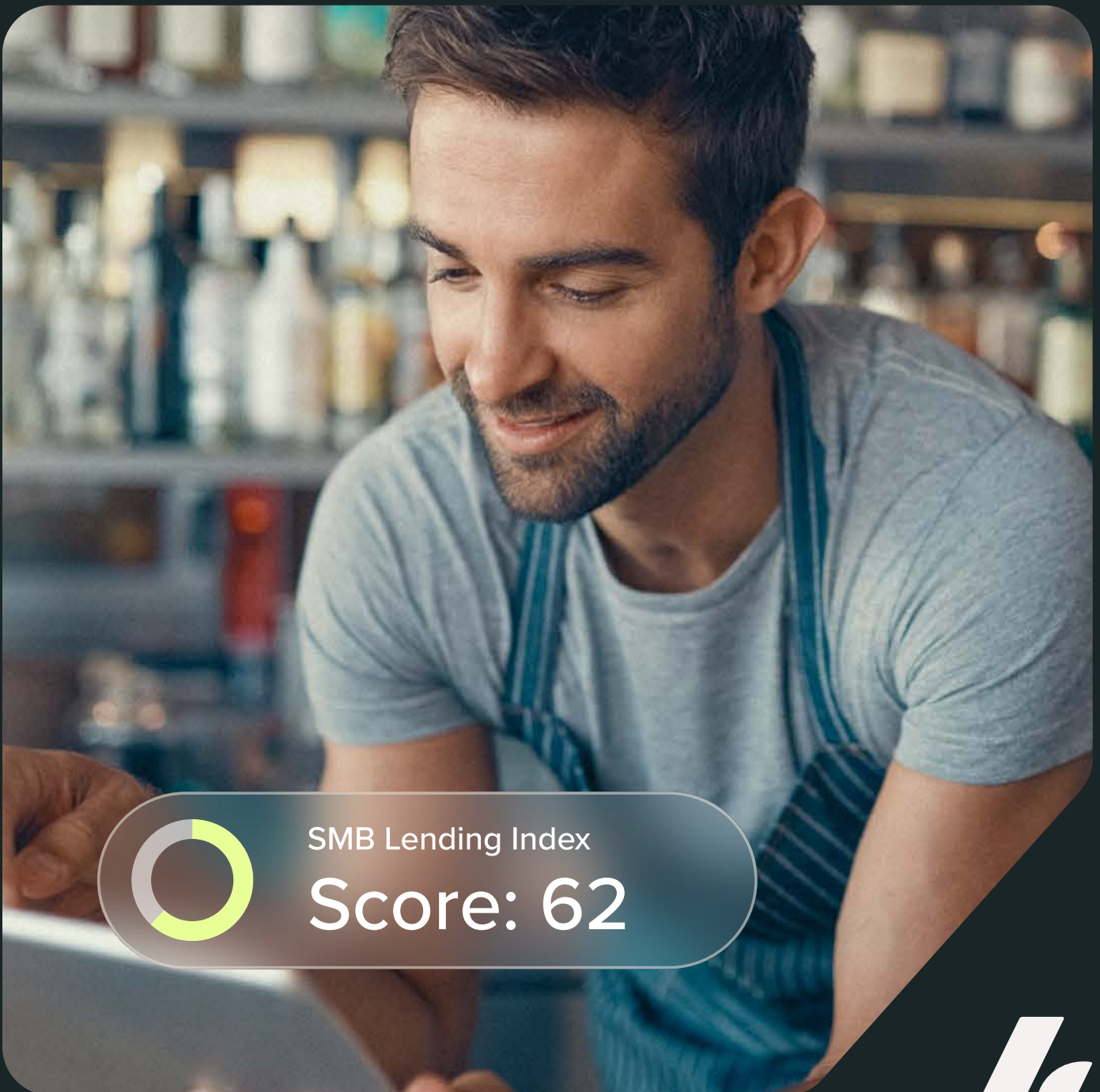


# The Lendio SMB Lending Index



SMB Lending Index

Score: 62



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# Executive summary

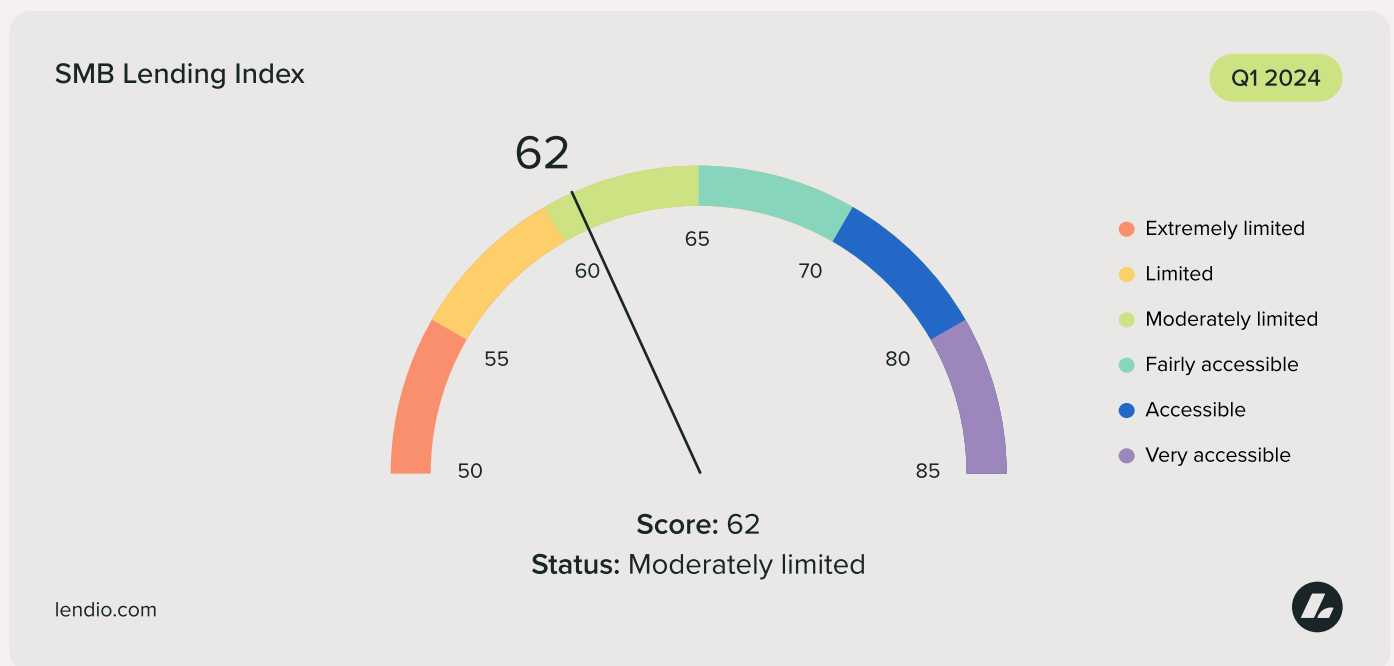
How do businesses and lenders feel about the state of the lending market, and how is that influencing industry trends? Lendio analyzed business profiles of over 18,000 business owners who received funding offers and interviewed 25 lenders and over 2000 small business owners to compile the SMB Lending Index, which provides a holistic view of the state of small business lending.

## Key insights

- Lenders increased requirements to qualify for business financing over the past three months, but are cautiously optimistic the market will improve.
- While the majority of small and medium businesses (SMBs) state their access to capital meets or exceeds market averages, some small business owners' perceptions skew much more negatively than lenders.
- Those in freight trucking are more likely to have a positive or very positive view of the lending market with 27% indicating small business owners have above-market access to capital.
- Education, legal services, and wholesale industries saw the greatest increase in financing accessibility. Automotive, manufacturing, and utilities saw the greatest decline.

# SMB Lending Index

The small business lending market tightens in Q1 2024.



## Score: 62

Last quarter's score: 63

Since the federal announcement of [higher interest rates in 2023](#), Lendio has seen a tightening of credit criteria with more stringent requirements in revenue, time in business, and credit scores for small businesses to qualify for a loan in Q1 of 2024. The tighter criteria led to a dip in Lendio's SMB lending index from 63 in Q4 2023 to 62 in Q1 2024, indicating a decline in overall access to capital.

### What does the index score mean?

Lendio's SMB lending index measures how accessible business financing is to small business owners with a higher score indicating greater accessibility. The score is based on the business profile of the 18,000+ small businesses offered financing in Lendio's marketplace in a quarter. The methodology section of the report provides a full breakdown of how the score is calculated.

Credit box

Percentage change in business profile of borrowers who received a loan offer quarter over quarter.

↑ **1.08%**  
Credit score

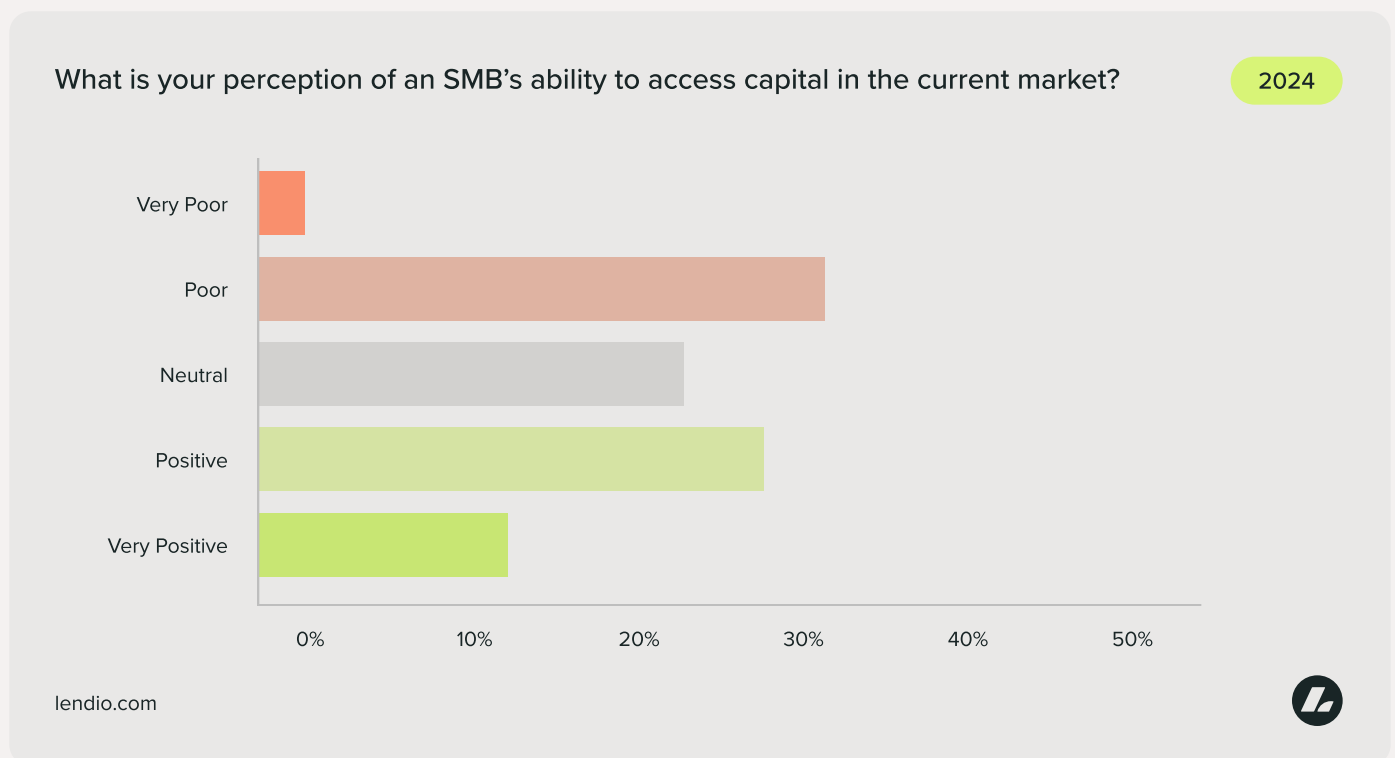
↑ **2.35%**  
Average monthly sales

↑ **0.1%**  
Time in business



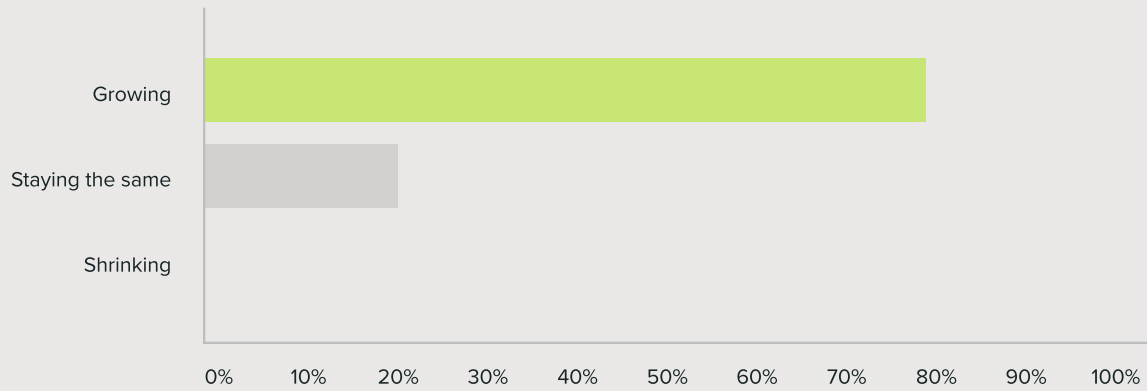
# Lender sentiment

In April 2024, Lendio surveyed 25 small business lenders about their perceptions of the current small business lending market and their optimism for the future.



Do you foresee the volume of SMB loans that you issue growing or shrinking in the next six months?

2024

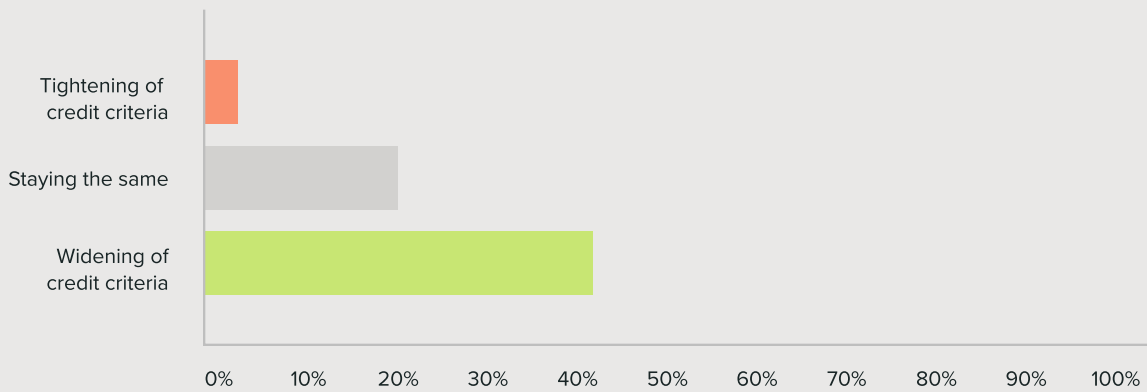


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What changes do you expect in your credit box in the next six months?

2024



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Lenders with a less positive perception of the market cite poor macroeconomic conditions and challenges with underwriting smaller loan amounts.



*“Many lenders are tightening their credit boxes, including banks. We’re in less than ideal macroeconomic conditions and there’s a higher cost of capital right now.”*

**Minyang Jiang**  
Chief Strategy/Revenue Officer,  
Credibly

Lenders with a more positive view of the market cite growing options and competition from alternative lenders and diverse financing options.



*“There is a heavy supply of capital from the lenders and funders in the alternative finance industry. More so recently, we’ve seen many new entrants as well as continued commitments from the Capital Markets to supply debt financing.”*

**Jason Osiecki**  
Good Funding, LLC



The majority of lenders project growth in the number of loans they issue to small businesses.

Factors include a mix of scaling new product offerings, adopting new technology and growing demand as interest rates decline and the economy improves.



*"We expect the number of loans we issue to continue to grow thanks to technology improvements focused on ease of use, loan pricing optimizations, and increased demand from small business borrowers."*

**Minyang Jiang**  
Chief Strategy / Revenue Officer, Credibly



*"The upcoming Fed rate cuts in the latter part of the year will trigger economic growth needed to grow the economy."*

**Ilya Fridman**  
Byzfunder

# SMB sentiment

In April 2024, Lendio surveyed over 2,000 small businesses owners about their perceptions of the current small business lending market and their optimism for the future.

While the majority of small and medium businesses (SMBs) state their access to capital meets or exceeds market averages, some small business

owners' perceptions skew much more negatively than lenders with 20% indicating the majority of small businesses don't have access to the capital they need compared to just 4% of lenders. Additionally, while 40% of lenders state that SMBs' access to capital exceeds market averages, only 28% of SMBs state their access to capital exceeds market averages.

Response	Lenders	SMBs
Very poor (Majority don't have access to capital they need)	4%	20%
Poor (Below market average)	32%	17%
Neutral (Market average)	24%	36%
Positive (Above market average)	28%	18%
Very positive (Majority of SMBs can access the capital they need)	12%	10%

## The SMB lending market is generally favorable for established small businesses.

Small business owners' sentiment is more positive among more qualified borrowers—those with higher credit scores, longer time in business, and greater monthly revenue. Only 12% of the most qualified borrowers indicate the majority of businesses don't have access to the capital they need vs. 21% of the least qualified borrowers. Additionally, highly qualified borrowers are most likely to say (at 47%) that their accessibility to funding is equal to the market average.

### Industry insight

Those in freight trucking are more likely to have a positive or very positive view of the lending market with 27% indicating small business owners have above-market access to capital and 16% indicating the majority have access to the capital they need.

“While traditional lenders will typically stray away from funding trucking, there are more options available through nontraditional lenders,” said Tanner Cupello, Senior Director of Lendio Marketplace. “Lenders have also widened their credit boxes to trucking as gas prices have declined compared to early 2023 when many lenders slowed or stopped funding trucking completely.”



*“While traditional lenders will typically stray away from funding trucking, there are more options available through nontraditional lenders.”*

**Tanner Cupello**  
Senior Director, Lendio Marketplace

# Industry analysis

Compared to Q4 2023, the automotive, manufacturing, and utilities industries experienced the most tightening of credit standards in Q1 2024 leading to a decreased access to capital. Education, legal services, and wholesale experienced the greatest relaxation of credit standards leading to increased access to capital.

Industry scores are calculated by taking the average credit score, time in business, and monthly sales of every business in that industry that was offered financing through Lendio's marketplace in a given quarter. Higher scores indicate a lowering of requirements to qualify for funding, increasing access to capital. Lower scores indicate a tightening of requirements to qualify for financing, decreasing access to capital.

## Industries with the greatest decline in financing accessibility

1  
Automotive

2  
Manufacturing

3  
Utilities

## Industries with the greatest increase in financing accessibility

1  
Education

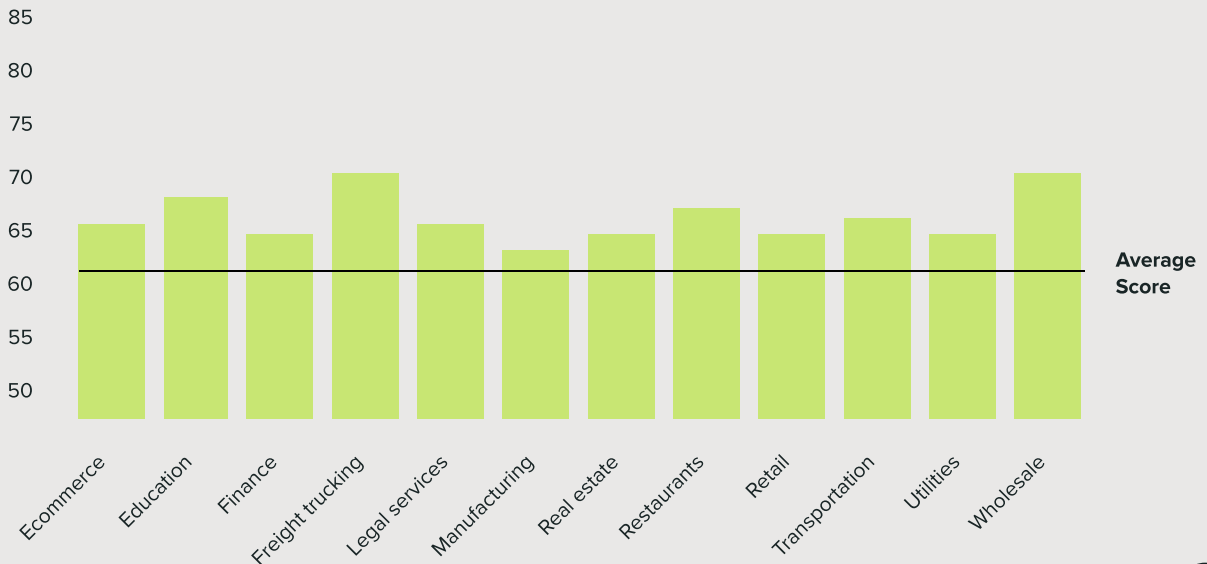
2  
Legal Services

3  
Wholesale

Industry	Q4 2023 score	Q1 2024 score	Change
Education	61	68	8
Legal services	61	65	4
Wholesale	68	72	4
Ecommerce	64	66	2
Retail	62	64	2
Freight trucking	69	70	1
Arts and entertainment	57	57	0
Construction	61	60	0
Information and media	58	58	0
Finance	66	65	-1
Transportation	67	66	-1
Agriculture and forestry	61	59	-2
Gas stations	62	60	-2
Healthcare	61	58	-2
Real estate	67	64	-3
Restrains	69	67	-3
Manufacturing	67	63	-4
Utilities	68	64	-4
Automotive	64	59	-5

Industries with above average access

2024

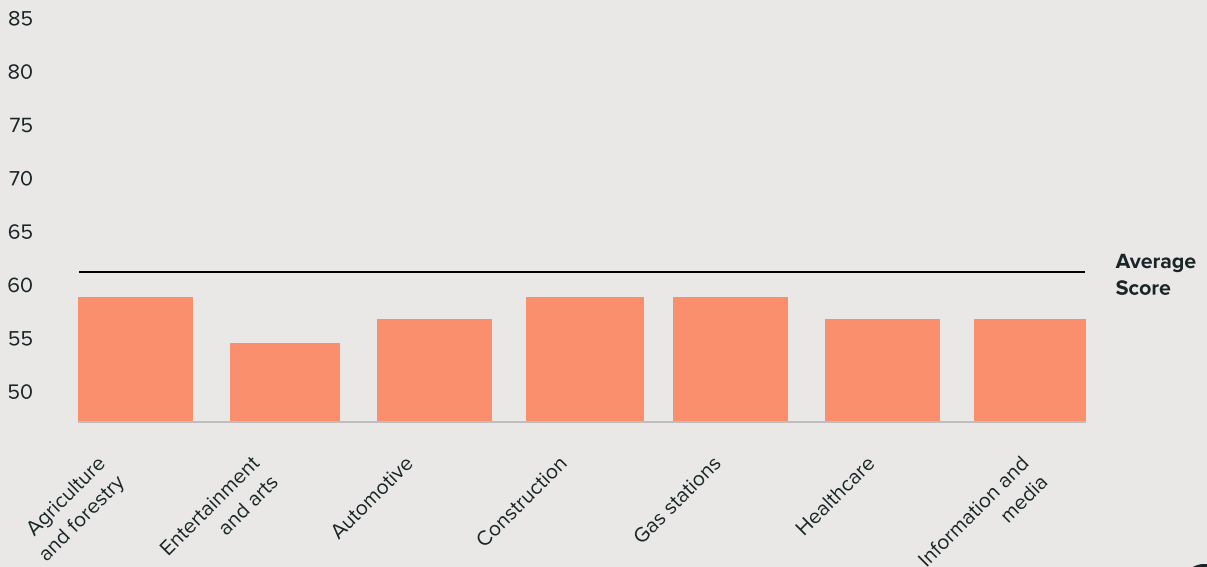


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Industries with below average access:

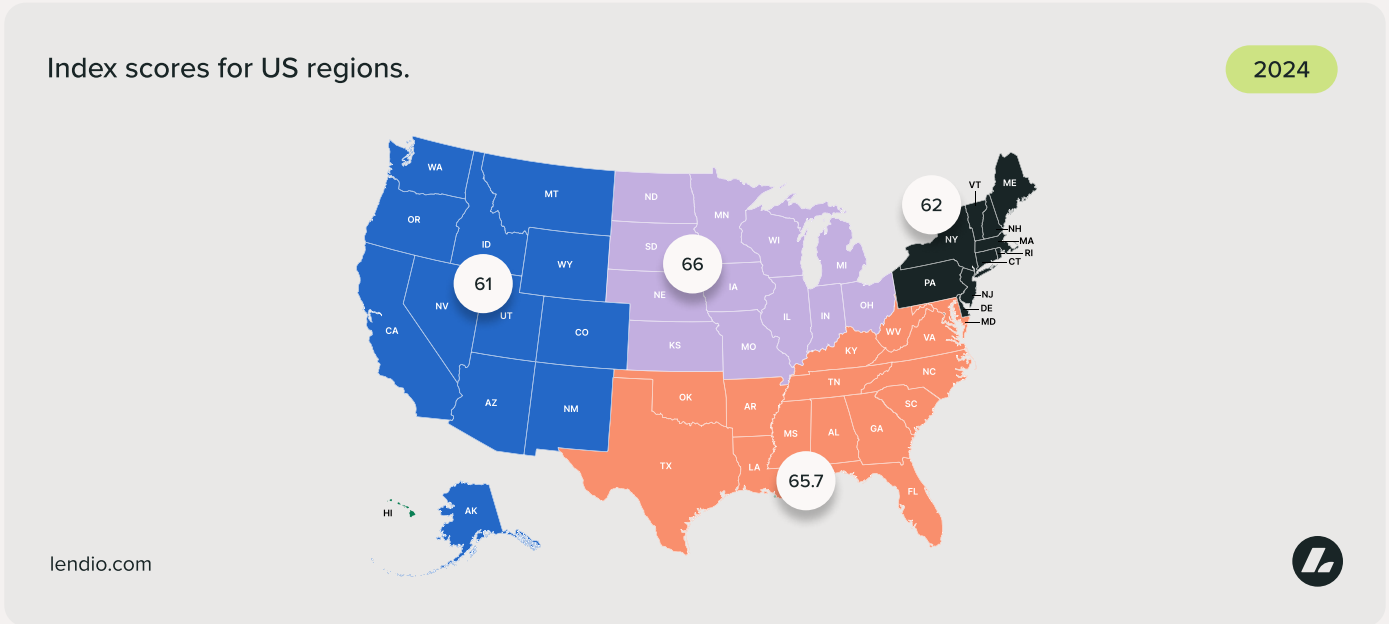
2024



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# Regional analysis



## Midwest

The Midwest came in with the highest average index score at 66.

Region	Average of final scores
KS	61
IL	62
MI	63
NE	64
OH	64.67
MN	66

Region	Average of final scores
IA	66
IN	66
MO	67
WI	67
ND	73.67
SD	74.67

## South

Scores in the South varied widely but the region came in at a close second with an average score of 65.7.

Region	Average of final scores	Region	Average of final scores
DC	53	GA	66.67
KY	59	WV	67.33
VA	61	AR	68.67
MD	63	NC	69
AL	64	SC	69.33
TN	63.67	DE	70
OK	65.33	LA	72
FL	65.67	MS	74
TX	66		



# West

The West came in third with a score of 61.

Region	Average of final scores
NM	53
HI	53
OR	55
CO	58
WA	60
CA	61
ID	61.33

Region	Average of final scores
AZ	62
AK	64.33
NV	64.33
UT	64.33
WY	68.33
MT	71.33

## Northeast

The Northeast had the lowest average score of 59. Only two states had an individual score equal to or greater than the overall index of 62.

Region	Average of final scores	Region	Average of final scores
VT	53	PA	60.33
MA	54	RI	61.67
NJ	56	NH	62.00
NY	59	ME	63.00
CT	60		

### Trucking dominates.

High scorers Mississippi, Louisiana, South Carolina, and the Dakotas have high concentrations of applicants in the freight trucking industry, which generally has greater access to capital, likely inflating those state's scores slightly.

### State requirements differ.

Many states in the Northeast region with lower scores require a higher monthly revenue for a business to be offered a loan, likely reflecting the higher cost of living in those states.

### Cost of living matters.

Hawaii typically has a tighter credit box due to the high cost of living and the risks associated with being an island where it is harder to get shipments in and out.

# Methodology

## Lending Index

To calculate the score, Lendio pulls the average credit score,\* monthly revenue, and time in business of every company that received a financing offer through our marketplace in the given time frame. To eliminate outliers, time in business was limited to up to 20 years, and monthly revenue was limited to up to 10 million.

These averages are then compared against a framework developed by historical averages at times of lower and higher credit requirements. Average monthly revenue is adjusted for inflation using data from the [Bureau of Labor Statistics](#). The final score is the average of the three scores calculated for credit score, monthly revenue, and time in business.

Calculations for this quarter were based on 18,513 businesses that received a financing offer through Lendio's marketplace.

Two separate industry frameworks were developed for industries that fall significantly above or below the standard deviation. These frameworks were developed with historical data from just those industries. Otherwise, they are calculated the same as the primary index. Freight and arts and entertainment use a separate framework. Wholesale, gas, and manufacturing industries use a separate framework.

## Survey

In April 2024, Lendio surveyed 25 lenders including banks and online lenders and 2,107 small business owners to gauge their sentiment toward the current small business lending market.

\*Credit score averages are based on businesses' self-reported credit scores from a population of 1328 vs. the total population of 18,513 businesses.

