



Small Business, Big Impact

Unleashing Innovation for Financial Institutions

Small businesses play an indispensable role in the U.S. economy, accounting for 99.99% of all firms and contributing 43.5% of the nation's GDP [1]. In the past five years alone, 21.76 million small businesses have been established, reflecting a renewed emphasis on entrepreneurship and innovation [2]. These businesses increasingly depend on digital solutions for managing finances, generating demand for accessible, efficient tools tailored to their unique needs. Small businesses represent a \$150 billion revenue opportunity for financial institutions (FIs) in the United States, a growing market that underscores the need for scalable and user-friendly digital solutions [3].

This whitepaper explores the needs and challenges of modern small businesses and outlines how financial institutions can support their growth through technology-driven solutions.

The Evolving Landscape of Small Business Ownership

A number of key trends are shaping the modern small business landscape.

Growth in Digital-First Small Businesses

Driven by economic shifts and advancements in digital technology, small businesses have proliferated. Over 21.76 million small businesses were created in the past five years alone, reflecting a digital-first approach [2]. These new businesses operate primarily online, creating demand for flexible, mobile-friendly financial tools that support remote and e-commerce operations.

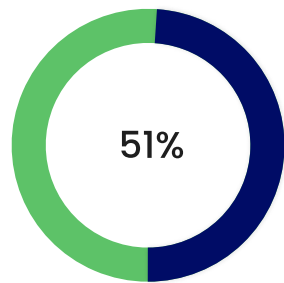
Increase in Part-Time Entrepreneurship

A substantial number of small business owners operate their businesses part-time, managing them alongside other jobs or commitments. These entrepreneurs spend an average of 14 hours weekly on administrative tasks, including payment collection and invoicing, activities that could be streamlined with integrated financial solutions [4]. Additionally, small businesses spend approximately \$340 monthly on digital tools to run their operations, underscoring a willingness to invest in technology that simplifies operations [5].

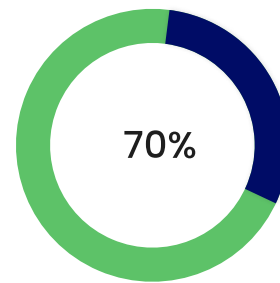
Transfer of Business Ownership

With over 2.4 million Baby Boomer-owned businesses expected to change hands in the next decade, younger generations are inheriting these businesses with a preference for digital-first, scalable tools [6]. These new owners demand efficient workflows, easy onboarding, and tools that provide remote accessibility, reflecting a shift in expectations for business

management.



51% of US small businesses are owned by people **older than 55**.



70% of America's 12 million privately owned businesses are expected to change hands in the **next 10-15 years**.

Challenges in Traditional Financial Solutions

Despite their evolving needs, small business owners often struggle to find scalable, accessible financial solutions. Research indicates that 66% of small business owners are willing to switch financial institutions to receive more digital services, highlighting a gap between current services and what is needed [7]. Further, 75% of small businesses prefer to receive financial advice from a credit union rather than an accountant, indicating a strong preference for accessible, relationship-based guidance integrated with digital service offerings [8].

The primary challenges small businesses face include:

Limited Access to Customizable Financial Tools

Small businesses often require specific financial support based on cash flow patterns and unique business models. However, traditional financial tools lack the necessary customization. A solution that adapts to seasonal businesses, part-time operations, or businesses operating fully online would better serve these owners' needs.

Fragmented Systems

Small business owners often rely on multiple, disconnected tools for managing various business aspects. This fragmentation leads to inefficiencies and added opportunities for error. For instance, a survey by Intuit found that the average small business uses over four different financial management tools, leading to workflow inefficiencies and impacting growth potential [9].

Time Constraints

Many small business owners must perform all financial tasks independently, spending valuable hours on activities like payment collection and bookkeeping. A study found that business owners dedicate an average of 14 hours per week to administrative tasks, highlighting a significant need for streamlined and automated solutions [4].

Small business operators dedicate an average of 14 hours each week to administrative tasks like collecting payments, accounting for 35% of their work week.

Technology-Driven Solutions for Modern Small Businesses

Technology-driven solutions are increasingly essential for today's small businesses, enabling improved cash flow, operational efficiency, and reduced administrative workload. Financial institutions that integrate scalable, digital-first tools for small business clients can capture a substantial portion of the \$150 billion SMB revenue opportunity in the U.S. [3].

Effective digital financial solutions offer key features that enhance business operations and streamline financial management.

Key Features of Effective Digital Financial Solutions



Automated Invoicing & Payment Collection



Integrated Client Management Systems



Mobile Accessibility



Customizable Analytics & Reporting



Automated Invoicing & Payment Collection

Automated solutions save time by reducing manual data entry and simplifying cash flow. Businesses using automated billing tools report receiving payments 30% faster than those who rely on manual systems [10]. This efficiency addresses the issue of delayed payments, which are especially detrimental to smaller operations with limited cash reserves.



Integrated Client Management Systems

Financial tools that incorporate client management functions allow small business owners to monitor client information, payment history, and engagement metrics. Integrated systems eliminate the need for separate CRM tools, saving time and reducing the complexity of business management. HubSpot reports that businesses using CRM solutions see a 41% increase in revenue per salesperson, underscoring the importance of streamlined client management [11].



Mobile Accessibility

Digital solutions must cater to business owners on the move. Mobile-accessible tools are invaluable for today's digital-first, time-constrained entrepreneurs. The U.S. Small Business

Administration notes that 55% of small business owners use mobile tools to conduct daily operations [12]. Mobile-first financial solutions provide flexibility and enable real-time access to critical information and business workflows.



Customizable Analytics and Reporting

Data analytics allows business owners to make informed decisions about cash flow and spending. Small businesses using data analytics report up to a 20% increase in profitability, demonstrating the impact of data-driven decision-making on small business growth [13].

Financial Institutions: Paving the Way for Small Business Empowerment

Financial institutions are well-positioned to support small businesses by offering digital, scalable solutions that meet their specific needs. By investing in technology-driven services, FIs can capture the loyalty of the modern small business owner and establish themselves as trusted partners in business growth.

Financial institutions can experience significant benefits from adopting the following innovative strategies tailored to meet the needs of small and medium-sized businesses:

Enhanced Customer Engagement

Small businesses increasingly seek out financial partners that provide solutions to streamline operations and foster growth. Recent data reveals that 75% of small business owners prefer financial advice from a credit

Three out of four small business owners prefer financial advice from a credit union over an accountant, and two-thirds would switch credit unions for better digital services.

union rather than an accountant, while 66% would switch credit unions for more digital service offerings, underscoring the demand for personalized, tech-forward support from trusted financial partners [14].

Increased Lending and Deposit Growth

Offering solutions that address the unique needs of small businesses can increase both lending and deposit growth. Small businesses that access digital financial tools experience greater cash flow stability and have a higher likelihood of using additional products and services from the same provider [15].

Community Reinvestment Act (CRA) Compliance

By serving the diverse and evolving needs of small businesses, financial institutions can strengthen their CRA compliance while supporting local economic growth. The Federal Reserve found that digital financial inclusion initiatives have a substantial positive impact on local economies, enhancing institutions' compliance with CRA standards [16].

Small businesses are a cornerstone of the American economy, generating over 43% of GDP and comprising 99.99% of all firms [1][2]. However, these businesses face unique challenges as they navigate administrative complexities, fragmented financial tools, and the need for scalable digital solutions. The growth of digital-first, part-time, and generationally-owned

businesses underscores the importance of financial solutions that are efficient, accessible, and adaptable to changing business needs.

Financial institutions that provide tailored, digital-first solutions stand to gain significantly by engaging with this \$150 billion market. By investing in integrated, scalable technology, financial institutions can empower small business owners, support economic resilience, and fulfill critical community responsibilities, all while enhancing their market positioning and CRA compliance.

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