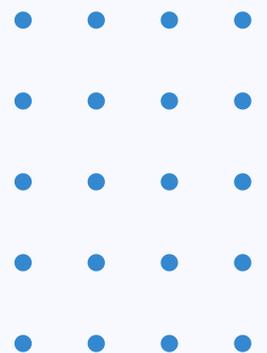




THE STATE OF SME LENDING

2025

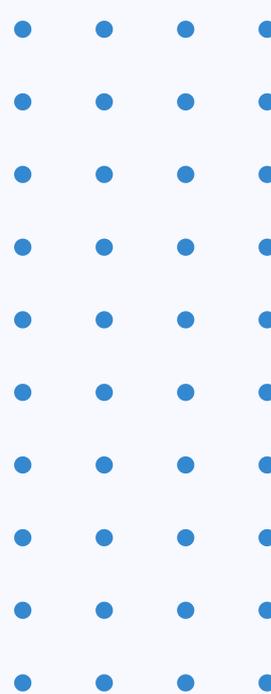


What's changing across the market and where partners can win next

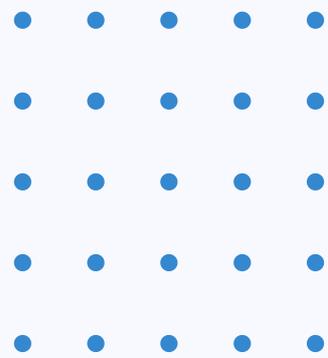
PREPARED BY
The Databook Team

Valiant data shows that in 2025, SME lending was shaped by fluctuating rate expectations, renewed credit appetite, and an uptick in asset finance demand. In this report, we break down the shifts we observed and what they mean for partners as they refine their strategy for 2026.

Key takeaways

- 
- 01 Businesses that acted quickly in 2025 likely benefited most from the rate cuts. With over 50 lenders having already hiked home loan rates in 2026, the outlook is uncertain, leaving little room to postpone finance decisions.
 - 02 Working Capital remains a reliable performer at Valiant, with funded volumes growing 31–41% throughout the year. However, SMEs became more cautious in Q4 2025, with volume of enquiries dropping quarter on quarter. In 2026, proactive partner engagement will be key to uncovering delayed or untapped funding needs.
 - 03 Sector and segment focus matters, with Healthcare, Retail Trade, Hospitality, and Agriculture proving to be the highest-conversion industries.
 - 04 2+ year SMEs deliver the majority of settlements and higher conversion efficiency, while startups require high-touch efforts with lower ROI. Prioritise these businesses in your client portfolio.
 - 05 Partners who prioritise high-conversion sectors and established SMEs can maximise returns, efficiently allocate sales resources, and strengthen relationships with lenders.

The broader credit backdrop



Competition is heating up

In 2025, the RBA cut interest rates three times: first in February, from 4.35% to 4.10%; then in May, to 3.85%; and finally in August, to 3.6%. Notably, SME variable rates fell slightly more than the cash rate, with the asset finance median rate dropping from 11.25% to 10.45% (Q1 CY2024–Q4 CY2025).

Credit appetite is improving

With rates coming down and competition heating up, more lenders extended the eligibility of their low-doc solutions – where clients don't need to provide income verification – while others started offering automatic approvals for certain profiles. Plus, loan limits have been raised multiple times across several customer segments, and some lenders have broadened their criteria to include vehicles bought through private sale, not just dealerships.

Credit Score

The credit profile of businesses Valiant funded softened in 2025, with both average and median scores dropping compared to the previous year.



Product offerings are expanding

Although it still accounts for less than 5% of total SME finance, unsecured and less-well-secured lending surged in 2025. This growth included lending to startups with strong business plans and lending for specific purposes like green projects.

How SME funding moved across sectors in 2025

TOP 3 OPPORTUNITIES

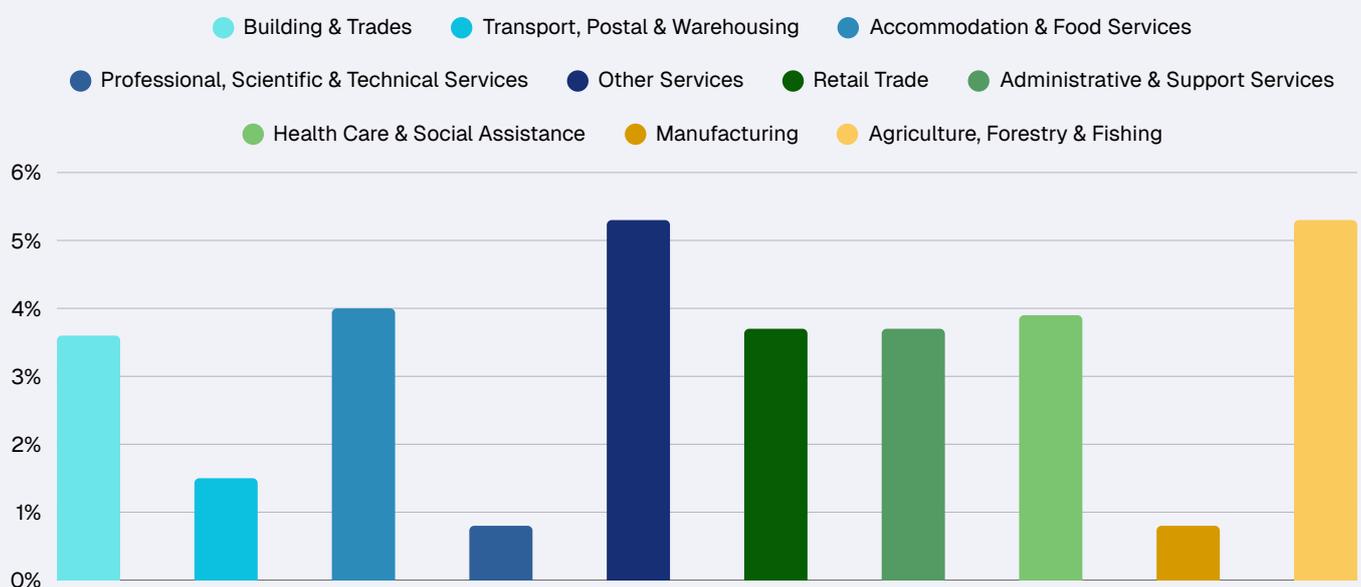
1. Building and trades (28%)
2. Transport (10%)
3. Accommodation & Food Services (9%)

TOP 3 SETTLEMENTS

1. Building and trades (27%)
2. Accommodation & Food Services (10%)
3. Retail (9%)

Healthcare and retail bounced back after a challenging 2024

Year on year conversion difference



Leading the pack, Healthcare and Retail SMEs saw strong lender take-up, high-quality deals, or a combination of the two. This came after an uncertain 2024, where rising costs, tougher NDIS compliance, and cautious consumers weighed heavily on many SMEs.

Conversion rates are improving across the board, pointing to a recovery in demand and more proactive lender engagement. For partners, this means more deals to work on and more opportunities to guide SMEs through a competitive funding landscape.

SME's with 2-5 years trading time drove approvals

Credit appetite picked up for "prime" borrowers

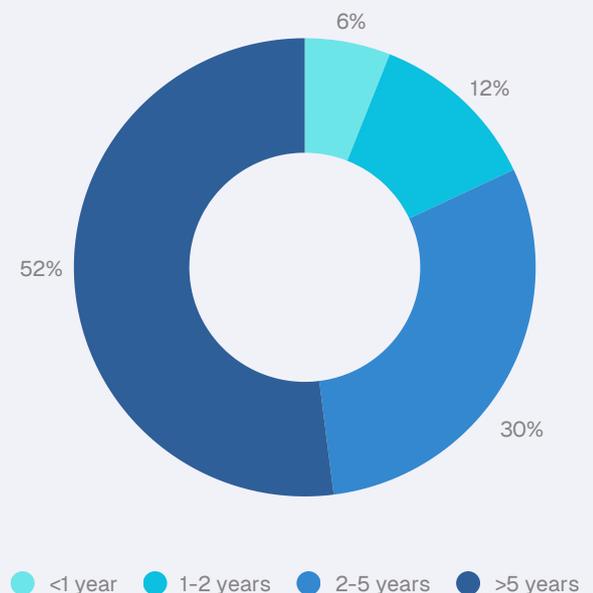
In 2025, established businesses became the main battleground for lenders. Conversion rates for the 2-5 year segment increased by 4 percentage points compared to 2024, which suggests lenders softened serviceability hurdles and leant on automated approvals to capture this "sweet spot" of the market.

At the same time, SMEs trading for over 5 years drove the bulk of outcomes, accounting for 52% of total settlements.

Young businesses enquired, but often didn't convert

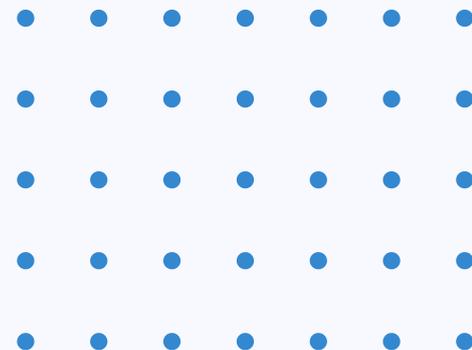
Businesses in their first year of trading generated high enquiry volumes but with lower conversion levels. This doesn't come as a surprise: early-stage SMEs carry higher risk for lenders and are usually subject to higher rates.

Settlement distribution by business age



Time in business is a strong predictor of conversion, with mature businesses converting at roughly twice the rate of startups. This reflects their wider access to finance and greater flexibility with lenders, which make it easier to find a solution that works.

As a partner, it's a smart move to focus on established SMEs more likely to get funded while steering younger ones toward more flexible solutions, like unsecured loans.



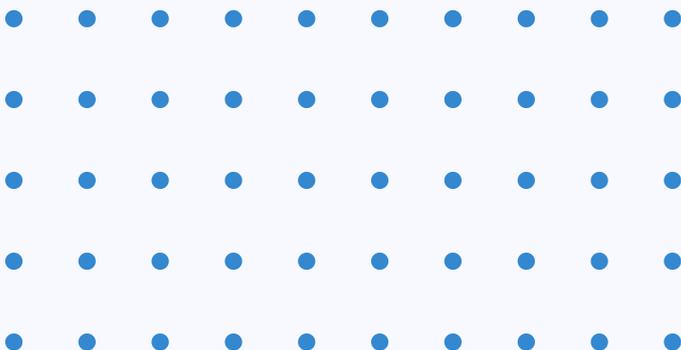
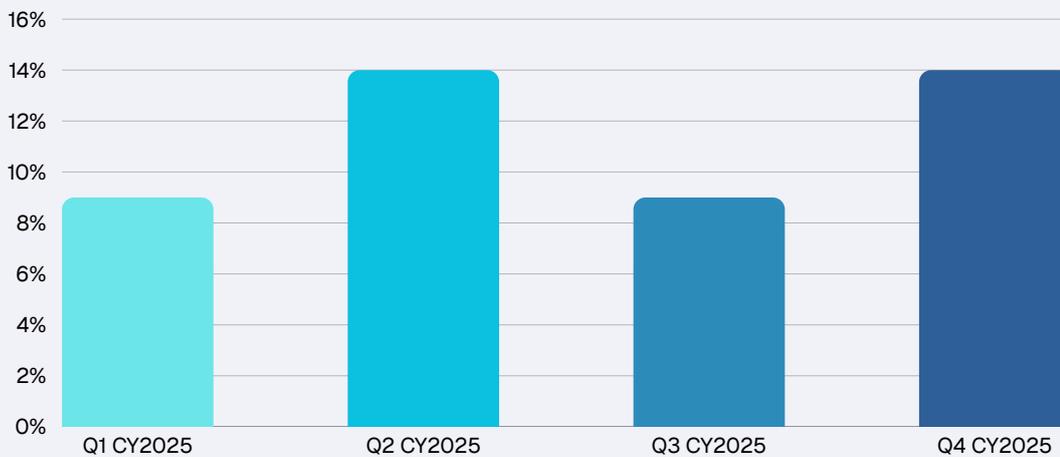
Asset finance volumes grew year on year

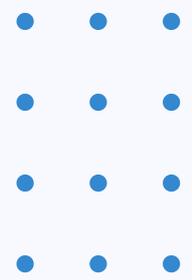
Even amid economic uncertainty, businesses continued to invest in the vehicles and equipment they needed.

Demand for asset finance peaked at +14% in Q2, following the instant asset write-off extension in April. Then, it rose again in Q4, in line with typical seasonal patterns. Year-end incentives from dealerships and lenders make borrowing cheaper, which, combined with the tendency for people to reward themselves – perhaps with a vehicle they’ll use for business purposes – could explain the uptick.

And while overall volumes are still lower than working capital at Valiant, enquiries increased roughly 11% year-on-year. In other words? Appetite for finance appears to be strengthening.

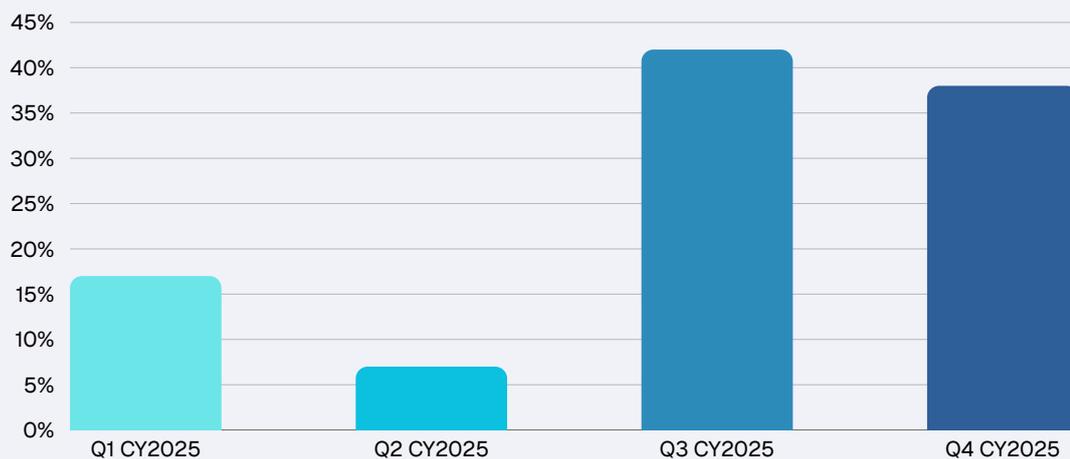
Asset finance - YoY change in enquiries





Funded volume gained momentum in H2 after a slower start. While growth was softer in the first two quarters, Q3 and Q4 saw a sharp rebound, with disbursed volume increasing 41% and 33%, respectively. A clear sign of improved conversion and execution as the year progressed.

Asset finance - YoY change in funded volume



How asset finance rates tracked against cash rates

Lenders lowered rates between February and August, causing our asset finance average rate to drop by 1.21%. This exceeded the total 0.75% in cuts implemented across the three RBA meetings in February, May, and August.

In October, this trend levelled off, after inflation numbers came out higher than the RBA had forecast, which hinted at potential rate rises in the future.

Since then, average rates have remained steady, and even started nudging up in December, once again, in anticipation of an upcoming rate hike.

Working capital loan approvals rose despite softer enquiries

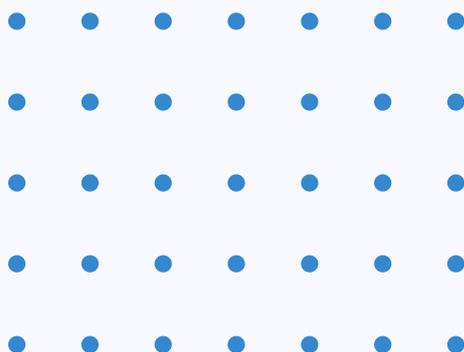
Working capital funded volume remained the standout, with steady growth throughout the year.

YoY change in funded volume	Q1 CY2025	Q2 CY2025	Q3 CY2025	Q4 CY2025
Working Capital	41%	31%	33%	34%

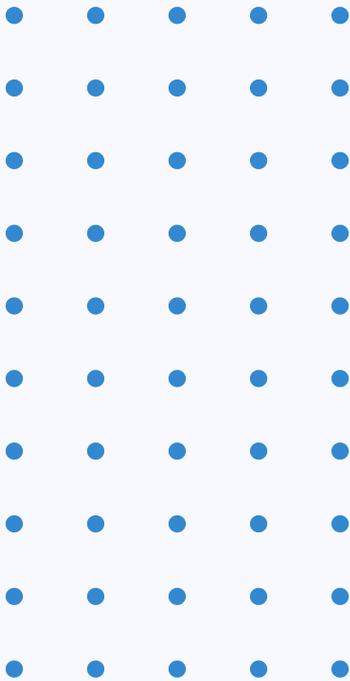
On the flip side, enquiry momentum cooled off. Growth dropped from +5% in Q1 to flat in Q3, before turning negative in Q4. Between rising inflation, consumer uncertainty, and banks cooling on the idea of rate cuts, many businesses chose to hold off on working capital.

Consumer confidence ended the year 6 points lower, which, paired with a negative sentiment around inflation and interest rates, reinforced a more cautious mindset among SMEs, who knew their customers were feeling it too.

YoY change in enquiries	Q1 CY2025	Q2 CY2025	Q3 CY2025	Q4 CY2025
Working Capital	5%	3%	0%	-5%



THANK YOU



Ready to put these insights to work? Contact us today to see how we can help.

 1300 356 750

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 valiantfinance.com

Reference links

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All data presented in this report is based on Valiant Finance's internal data and reflects trends observed by Valiant. It is intended for informational purposes only.