June 2025 Report

KEEPING SCORE:

Why Data Quality Determines Lending Decisions for the Smallest Firms

PYMNTS INTELLIGENCE | Markaaz

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Keeping Score: Why Data Quality Determines Lending Decisions for the Smallest Firms was produced in collaboration with Markaaz, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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WHAT'S **AT STAKE**

Banks want to lend to small businesses, but often lack the verified data needed to assess a company's risk with confidence. In both the United States and the United Kingdom credit officers struggle to verify basic information and financial details about micro-sized firms. Incomplete, outdated or missing records can stall approvals, inflate rejection rates and narrow access to credit lines or loans. Despite some regulatory differences between the two countries, the smallest businesses in both face greater hurdles to obtaining credit. Without verified financial data, banks, credit unions and other financial institutions may either increase their risk pricing on credit products and loans or reject applicants outright—even if the business is fundamentally creditworthy. One core problem is that pint-sized firms are too small for manual review and too opaque for automated scoring, leaving them unscored and underserved. Meanwhile, credit pipelines can dry up, blocking growth and revenue for banks and borrowers alike. These barriers don't just hobble lending—they stall the momentum of the very businesses that play a key role in keeping local economies running.

> Access to detailed transaction data would allow us to develop customized lending solutions tailored to each small business's unique cash flow patterns.
>
> —U.K. executive at an international bank

Robust credit assessment has become a competitive edge for banks seeking profitable lending opportunities. Lenders that verify relevant information about their credit applicants typically approve them more often. They also profit more, by extending credit to borrowers less likely to default. But data gaps are keeping lending patterns conservative. In the U.S., six in 10 banks express strong interest in real-time data access for SMB lending. Similarly, the figure stands at 64% for the U.K. Yet just three in 10 financial institutions in both countries have comprehensive credit assessments for micro-businesses, hindered by inaccurate, incomplete and outdated data.

Nearly three in 10 micro-business applications are rejected due to unverifiable data about the business's identity or legitimacy—five times the rejection rate for larger enterprises. The gaps include missing financials, unclear ownership and a lack of data validated by third parties. Above all, financial institutions want access to debt repayment histories from objective third parties to underwrite micro and small businesses accurately. Bridging the divide between banks' desire to extend credit and small businesses' need for financing requires new assessment tools, new data sources and a shift in institutional mindset.

> Automating business data access will substantially cut down the time spent on manual document collection and verification.
>
> —U.K. local banking executive

This research reflects input from 350 banking executives in the U.S. and the U.K., including leaders at credit unions, community banks, regional banks, large national banks and digital-only institutions serving small businesses. Conducted from March 4, 2025, to April 2, 2025, the survey spans institutions in the U.S. and the U.K. with at least $250 million or £200 million in assets. Participants work in commercial lending, credit underwriting, customer acquisition or compliance and have direct visibility into how their institutions use data when underwriting loans to small businesses.

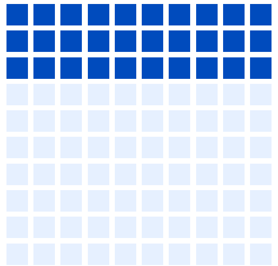
This is what we learned.

KEY FINDINGS

01

DATA GAPS

Few U.S. and U.K. financial institutions have comprehensive credit assessment tools for micro-businesses.



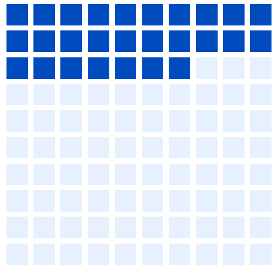
30%

Share of banks reporting very or extremely comprehensive assessments for micro-businesses

02

BETTER LENDING

Robust micro-business credit assessment doubles lender profitability and improves approval and delinquency rates.



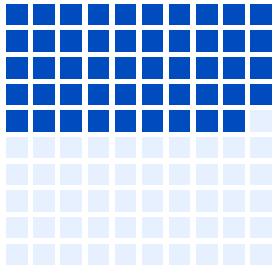
27%

Share of micro-SMB applications rejected due to unverifiable legitimacy—five times the level for enterprise applications

03

CONFIDENCE AT SOURCE

Audited financial statements are the most desired data type across institutions.



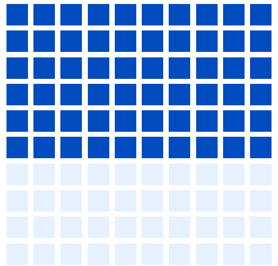
49%

Share of U.K. banks citing audited financial statements as the most desired underlying data for lending decisions

04

REAL TIME OR BUST

Banks see great value in third-party data but prioritize real-time access over integration solutions.



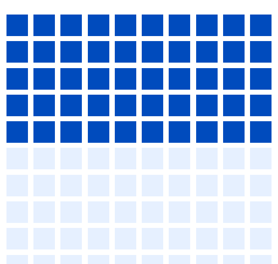
60%

Share of U.S. banks with a strong interest in providers offering real-time data on micro and small businesses

05

VERACITY VARIES

While large banks lead in third-party data use, reliance on this data declines as the share of micro- and small business clients increases.



50%

Share of financial institutions using third-party data for credit underwriting, among those with 60% or more customers in the micro-SMB segment

PYMNTS IN DEPTH

Small-business lending improves across every metric when banks gain fast, reliable access to third-party data they trust.

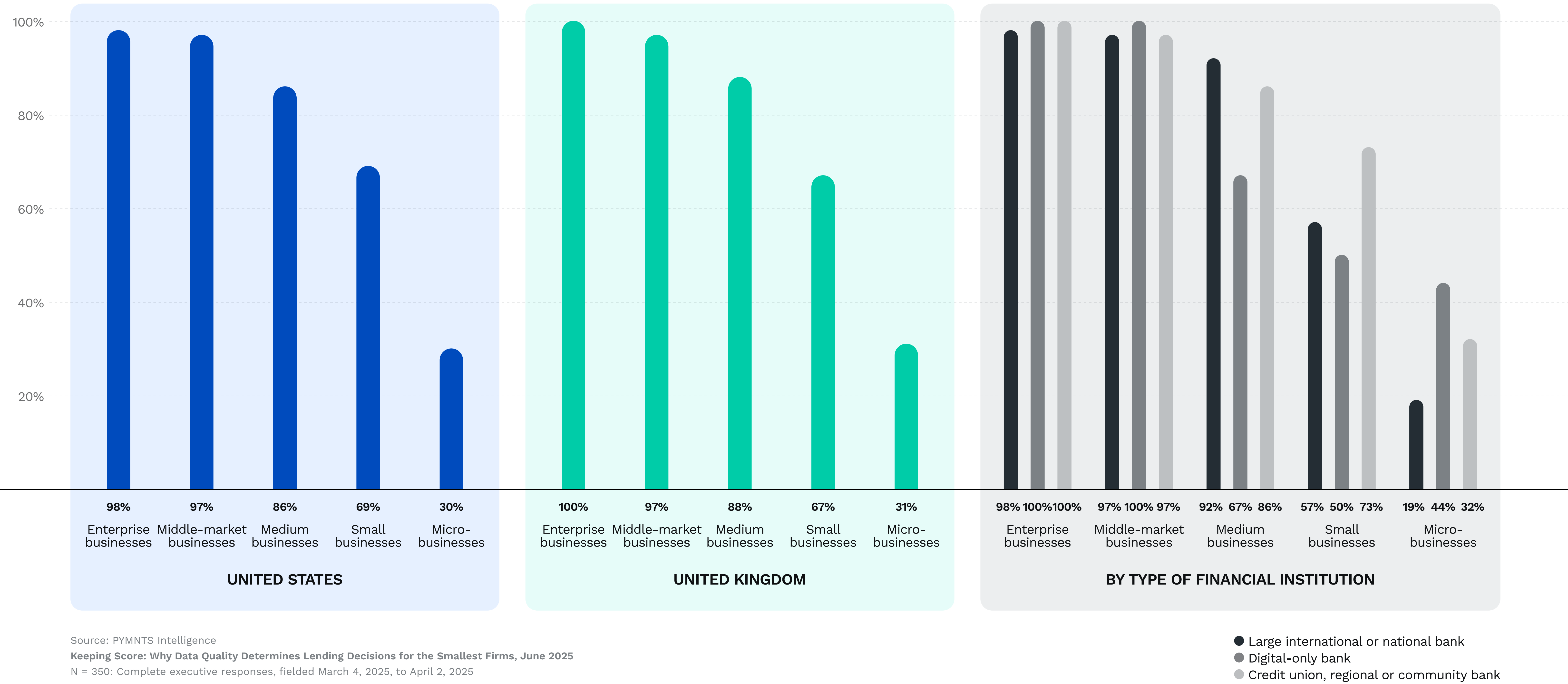
Faster data access drives better scoring, quicker approvals, sharper risk detection and leaner operations.

Credit, lending and risk executives say real-time, third-party data unlocks key improvements across the small-business credit cycle. For example, 57% of banks say they offer comprehensive credit assessments for small businesses—but just 30% say the same for microbusinesses. The gap prevents tailored lending, weakens scoring accuracy and slows approvals. Additionally, delays can force more manual reviews. Without verified data, decisions stall, leaving lenders in informational blind spots and limbo. Real-time data isn't just a nice-to-have or supplement—it's often the deciding factor between an approved loan and a rejection. That's why banks cite outdated, incomplete or unverifiable records as the top barrier to assessing a small business's creditworthiness, highlighting a persistent quality gap in core data sources.

FIGURE 1

Passing judgment

"Very competitive" or "extremely competitive": How financial institutions rate their underwriting and credit assessment for different types of business customers



Source: PYMNTS Intelligence

Keeping Score: Why Data Quality Determines Lending Decisions for the Smallest Firms, June 2025

N = 350: Complete executive responses, fielded March 4, 2025, to April 2, 2025

Data quality failures remain the leading obstacle to underwriting smaller businesses, but the specific weak spots vary. Across all financial institutions, 57% of large national or international banks cite inaccurate or incomplete data. The low ability of new businesses to provide enough information climbs to 63% among digital-only banks. Outdated records are a close second overall (52%), hitting 57% among U.S. banks and 55% at regional institutions. Inconsistent information ranks third, at 52% overall, but dominates among large banks (48%) and credit unions (53%). A general lack of quality data also affects half of the institutions. Limited financial history, flagged by 48% overall, rounds out the top five. These barriers stall credit decisions from the start. Without trusted inputs, institutions cannot assess risk accurately, no matter how willing they are do so.

FIGURE 2

Calling balls and strikes

Roadblocks in making accurate evaluations about micro or small businesses' eligibility for credit or lending products

	COUNTRY OF HEADQUARTERS		TYPE OF FINANCIAL INSTITUTION		
Sample	United States	United Kingdom	Digital-only bank	Credit union or regional or community bank	Large international or national bank
57% Inaccurate or incomplete data from businesses	58% Inaccurate or incomplete data from businesses	55% Inaccurate or incomplete data from businesses	63% Low ability of new businesses to provide enough information	58% Inaccurate or incomplete data from businesses	57% Inaccurate or incomplete data from businesses
52% Out-of-date information/data	57% Out-of-date information/data	53% Inconsistent information from businesses	56% Inconsistent information from businesses	55% Out-of-date information/data	48% Out-of-date information/data
52% Inconsistent information from businesses	54% Lack of quality information/data about businesses	48% Lack of ability to independently validate business information/data	50% Difficulty evaluating businesses due to complex business models	53% Inconsistent information from businesses	48% Inconsistent information from businesses
50% Lack of quality information/data about businesses	52% Inconsistent information from businesses	48% Low ability of new businesses to provide enough information	44% Lack of ability to independently validate business information/data	52% Lack of quality information/data about businesses	46% Some businesses provide data only in-person
48% Limited financial history	50% Limited financial history	40% Difficulty evaluating businesses due to complex business models	44% Lack of quality information/data about businesses	50% Limited financial history	46% Some businesses provide data only in-person

Source: PYMNTS Intelligence

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Robust credit assessments double profitability and cut delinquencies while supporting higher approvals and better risk-adjusted returns.

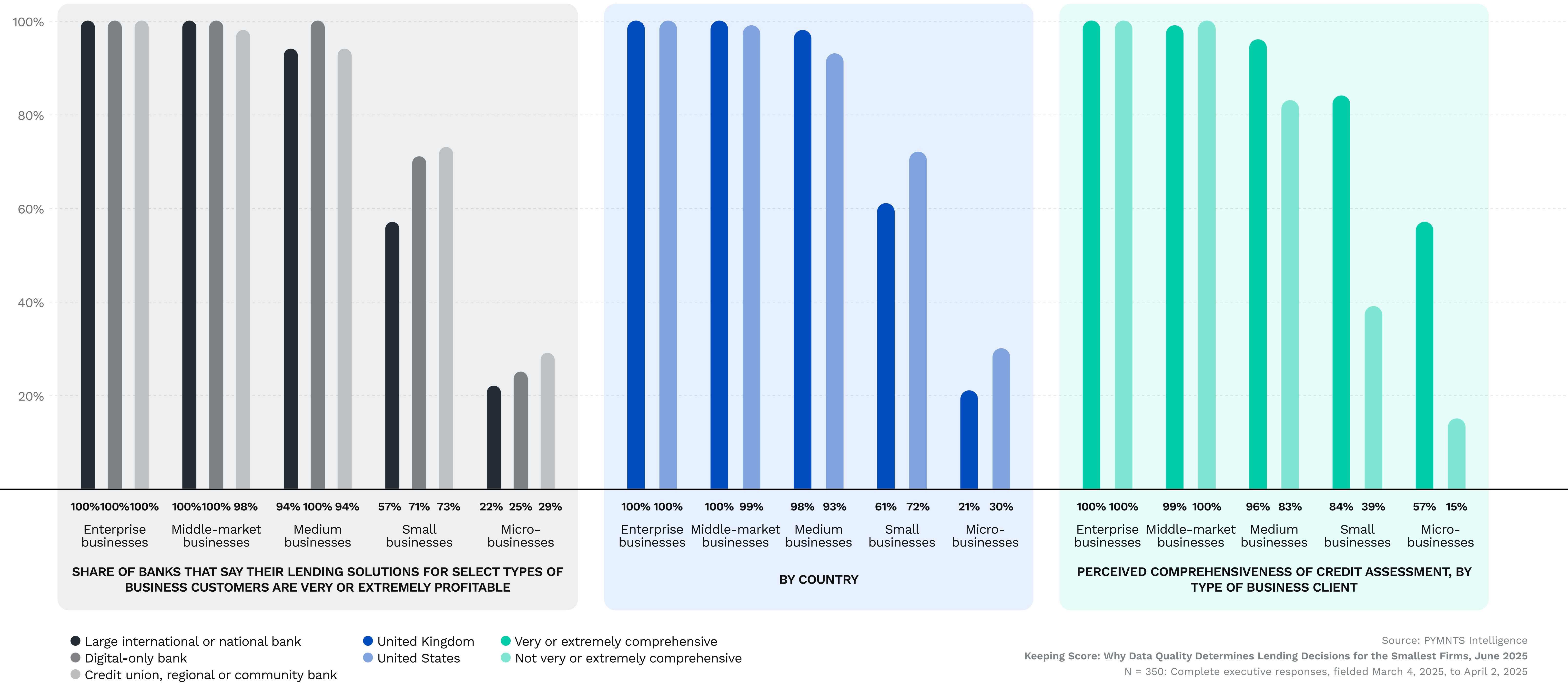
The profitability of underwriting credit depends on a lender's ability to assess a small business's creditworthiness. As such, stronger credit assessments should yield stronger returns. For example, 84% of banks with very or extremely comprehensive underwriting for SMBs consider this segment highly profitable. However, a firm with a weak credit profile will have higher interest loans, which should also result in greater revenue for the lender. And yet the figure capturing the sentiment of lenders to SMBs that consider this segment highly profitable falls to 39% among those with less comprehensive assessments. The profitability gap is even wider for micro-businesses: Just 22% of large banks, one-quarter of credit unions and fewer than three in 10 digital-only banks say that lending to these firms is profitable. U.S. institutions report notably lower profitability perceptions for small businesses than those in the U.K.—61% versus 72%.[1] Loans to these businesses in both countries may not necessarily be risky—some of them could simply be missing robust data to prove otherwise. Verification gaps persist: Roughly one in four micro-SMB applications in both countries are rejected due to unverifiable legitimacy—five times the level for enterprises.

1 For context, as of 2024, the U.S. had approximately 34.8 million small businesses, accounting for 99.9% of all U.S. businesses and contributing to 43.5% of GDP, according to one government measure. In the U.K., there were roughly 5.45 million small businesses, representing 99.2% of the total business population and generating 35% of total GDP last year.

FIGURE 3

Robust review, solid results

Financial institutions that report comprehensive lending assesssments for SMBs and a high probability of lender profitability



Source: PYMNTS Intelligence

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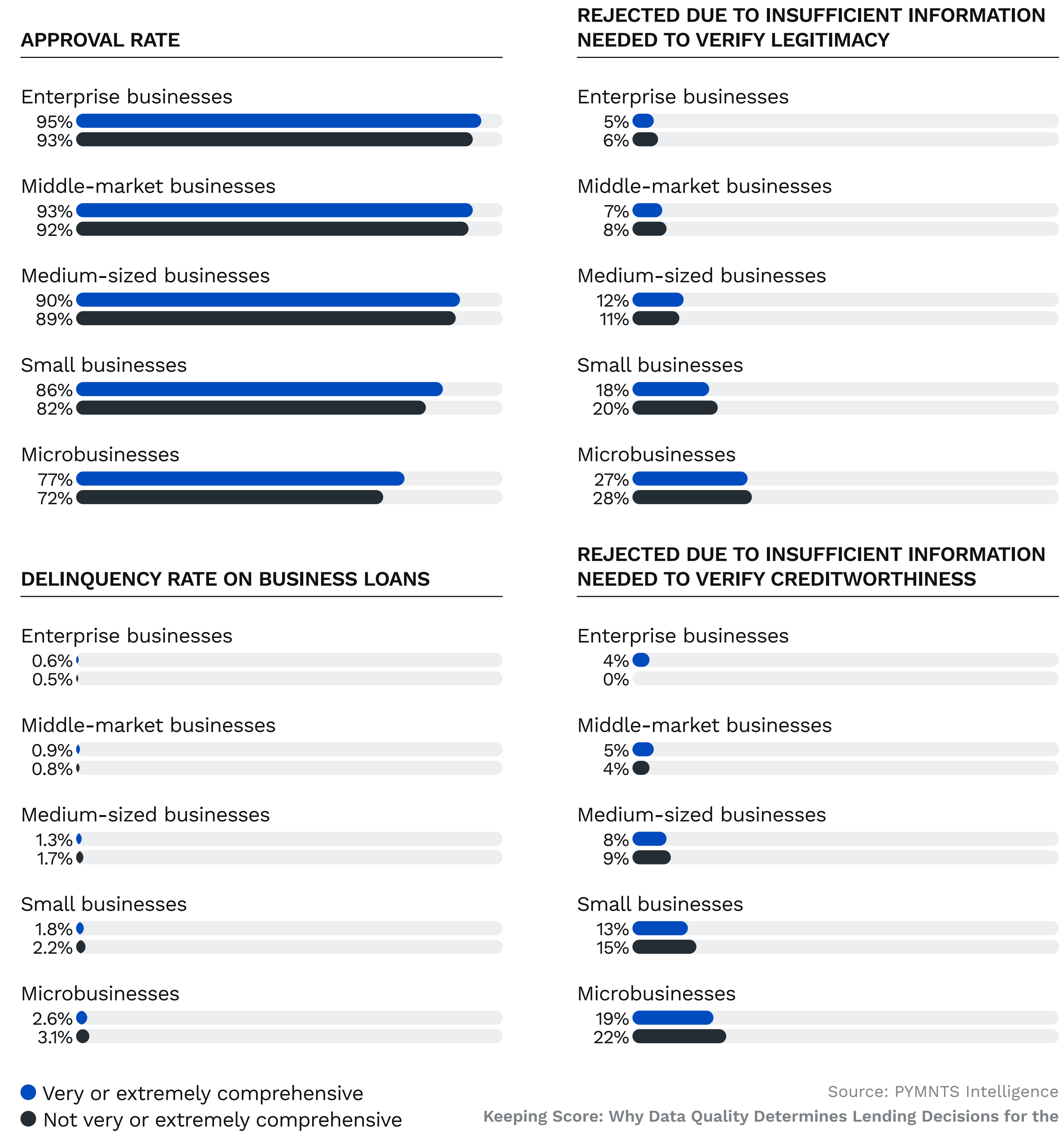
The smaller a business, the less likely its loan application will pass through the final hoop. Approval rates fall sharply as business size decreases, dropping from 95% for enterprise applicants to just 77% for microbusinesses. At the same time, delinquency moves in the opposite direction—rising from 0.6% among enterprises to 2.6% for the smallest firms. These outcomes track closely with rejection reasons and are tied to data quality concerning the legitimacy of the business. Just 5% of enterprise applications are denied due to unverifiable legitimacy, compared to 27% for microbusinesses. Rejection due to insufficient data on creditworthiness also jumps from 4% to 19% in the same span. Smaller businesses aren't necessarily being penalized for the risk they present—they could be getting penalized for failing to provide inputs showing their creditworthiness. The firms most likely to be rejected are also those most underserved by traditional reporting systems. Better data access would reduce rejection rates and improve lending economics for both sides.

FIGURE 4

Results oriented

Relative rates of approval for loan applicants, by enterprise size



Source: PYMNTS Intelligence
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Financial institutions trust data that they don't produce themselves. Confidence climbs when verification comes from third parties, not from loan applicants.

Regarding the data gap, banks on both sides of the Atlantic are clear about what's missing. Nearly half of U.K. lenders say audited financial statements are their most essential input for SMB credit decisions—more than any other data point. In the U.S., the figure is 33%, compared to the U.K.'s 49%. The difference comes thanks in part to Companies House, the U.K.'s official registrar of companies, which requires more standardized filings and disclosures at incorporation and later at regular intervals. As a result, audited financials are a more common and reliable source of third-party validation for U.K. lenders.

33%

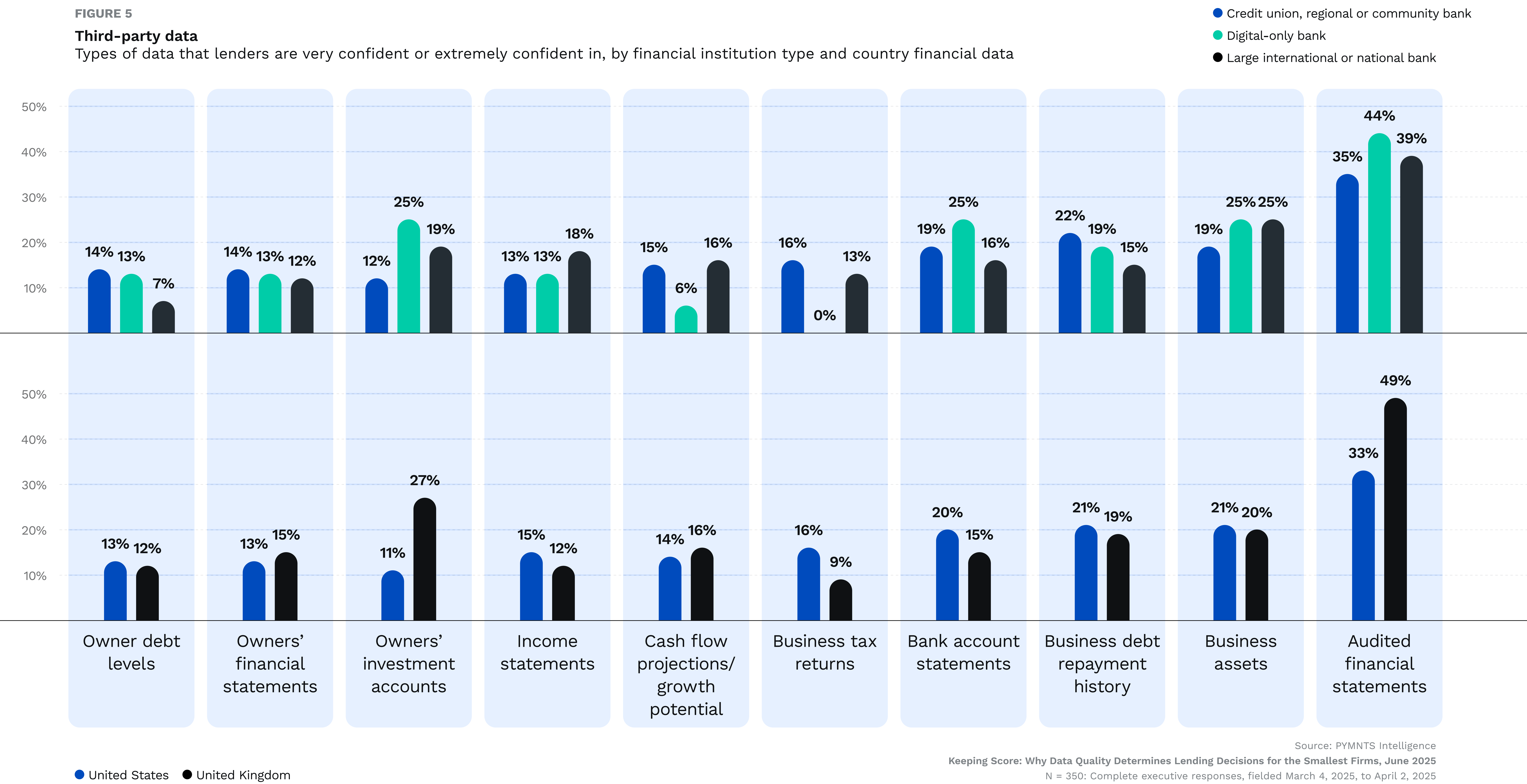
Share of U.S. lenders who **identify audited financial statements as essential for SMB credit decisions,** compared to 49% in the U.K.

By contrast, the U.S. small-business landscape relies less on formal audits. Instead, the country's small business lenders lean on self-prepared tax returns or internal financial records. Business assets and debt repayment history round out the top three desired inputs, with 44% of credit unions and 39% of digital-only banks naming them essential. These inputs verify what self-reported financials cannot: viability, liability and performance. Without this data, banks default to higher pricing—or deny the loan outright. The most desired data isn't a hypothetical requirement. It's the foundation for confidence at competitive small-business lenders.

FIGURE 5

Third-party data

Types of data that lenders are very confident or extremely confident in, by financial institution type and country financial data



Source: PYMNTS Intelligence

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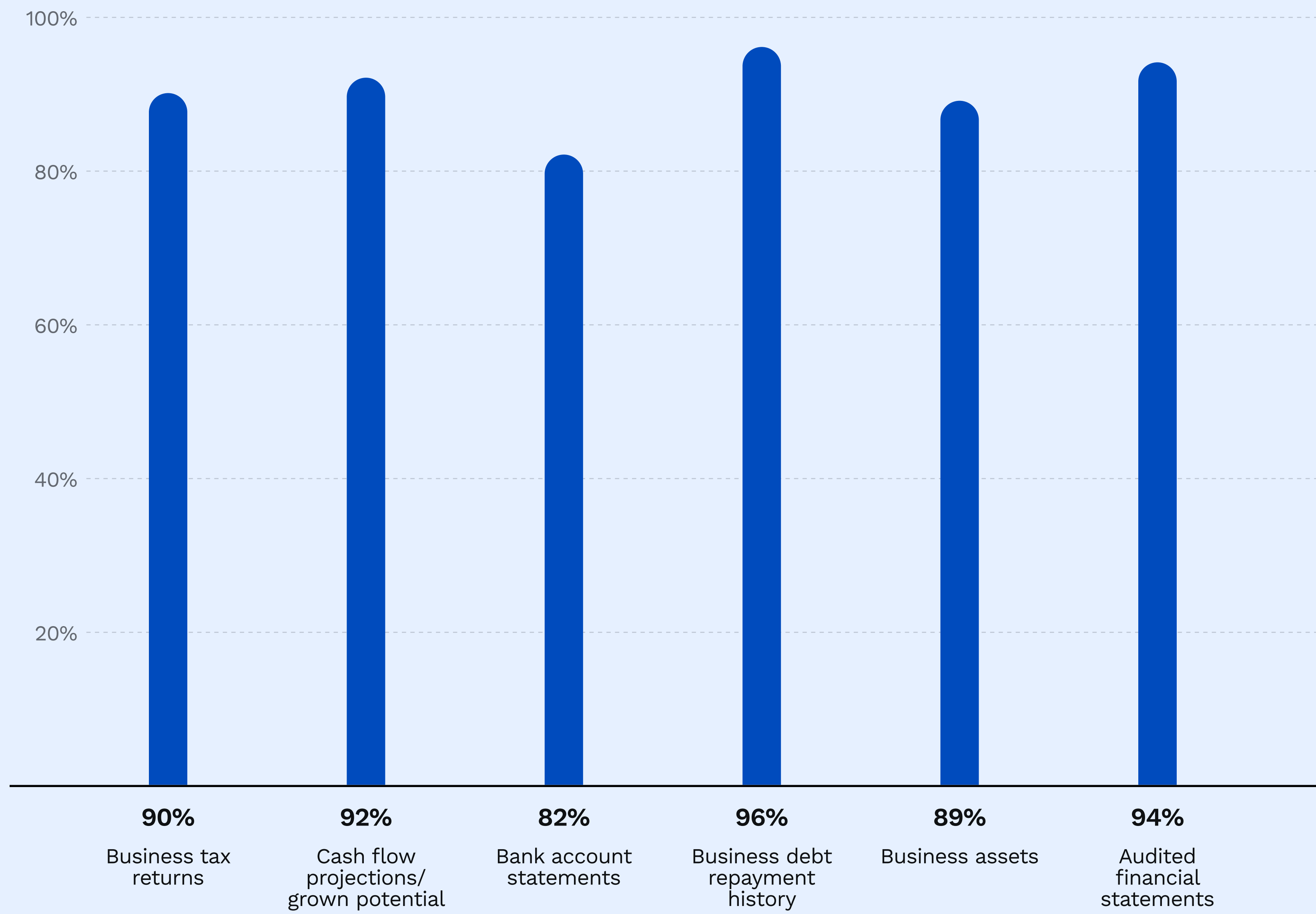
Lenders trust what they can verify—and verification hinges upon independent sources. Ninety-six percent of financial institutions say they could confidently underwrite micro and small businesses using credit bureau data on debt repayment history. Confidence also rises to 94% when financials are provided by a traditional auditor. In contrast, when the same information comes directly from the business, confidence falls—to 82% for bank account statements and 89% for business asset disclosures. The pattern is consistent: Third-party documentation produces the highest certainty for lenders, while self-reported inputs introduce doubt. Banks reject opacity, not firm size. Credibility depends on clear, independent sightlines.

FIGURE 6

Confidence varies

Confidence of U.S. and U.K. financial institutions ability to accurately underwrite lending for micro or small businesses, if in possession of the following data



Source: PYMNTS Intelligence

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N varies by type of data and represents responses from executives of FIs that cited this type of data as one they would like the most to have access to, fielded March 4, 2025, to April 2, 2025

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Banks prioritize live third-party data access over application programming interfaces (APIs)—especially digital-only and large institutions driving real-time decision making.

Real-time access to small-business data isn't an add-on—it's a competitive necessity. Six in 10 U.S. banks say they're highly interested in third-party providers offering live access to SMB and microbusiness data. That figure rises to 70% among large banks and current third-party data users. Digital-only institutions report similar demand, at 69%. This isn't theoretical. Faster access supports faster decisions—critical as SMBs increasingly expect same-day credit responses. Institutions aren't prioritizing architecture; they're emphasizing utility. Speed matters more than system design. Providers who deliver structured, decision-ready data in real time—not just APIs—will win the next wave of banking partnerships.

FIGURE 7

Data partnerships

Interest in working with third-party provider

- Interest in working with a third-party provider that has access to real-time data on micro or small businesses in the next 12 months
- Interest in working with a third-party provider that can process, clean and merge current data into a single API in the next 12 months

Source: PYMNTS Intelligence
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Even among institutions that prioritize third-party data, fewer view API integration as a top concern. Just over half of U.S. banks say they're highly interested in providers that consolidate and normalize data through a single API. That figure remains flat among large international banks (55%) and drops sharply among smaller institutions—falling to 49% for credit unions, regional or community banks and to just 50% for digital-only banks. In contrast, 60% to 70% of those same institutions say they're strongly interested in real-time data access. The gap of up to 11 percentage points shows that banks prioritize speed of access over integration polish. Banks are optimizing for decision making by integrating their systems with third-party solutions. They're prioritizing front-end options that favor modular, usable data to accelerate underwriting—not systems that delay it in pursuit of a more elegant back-end design.

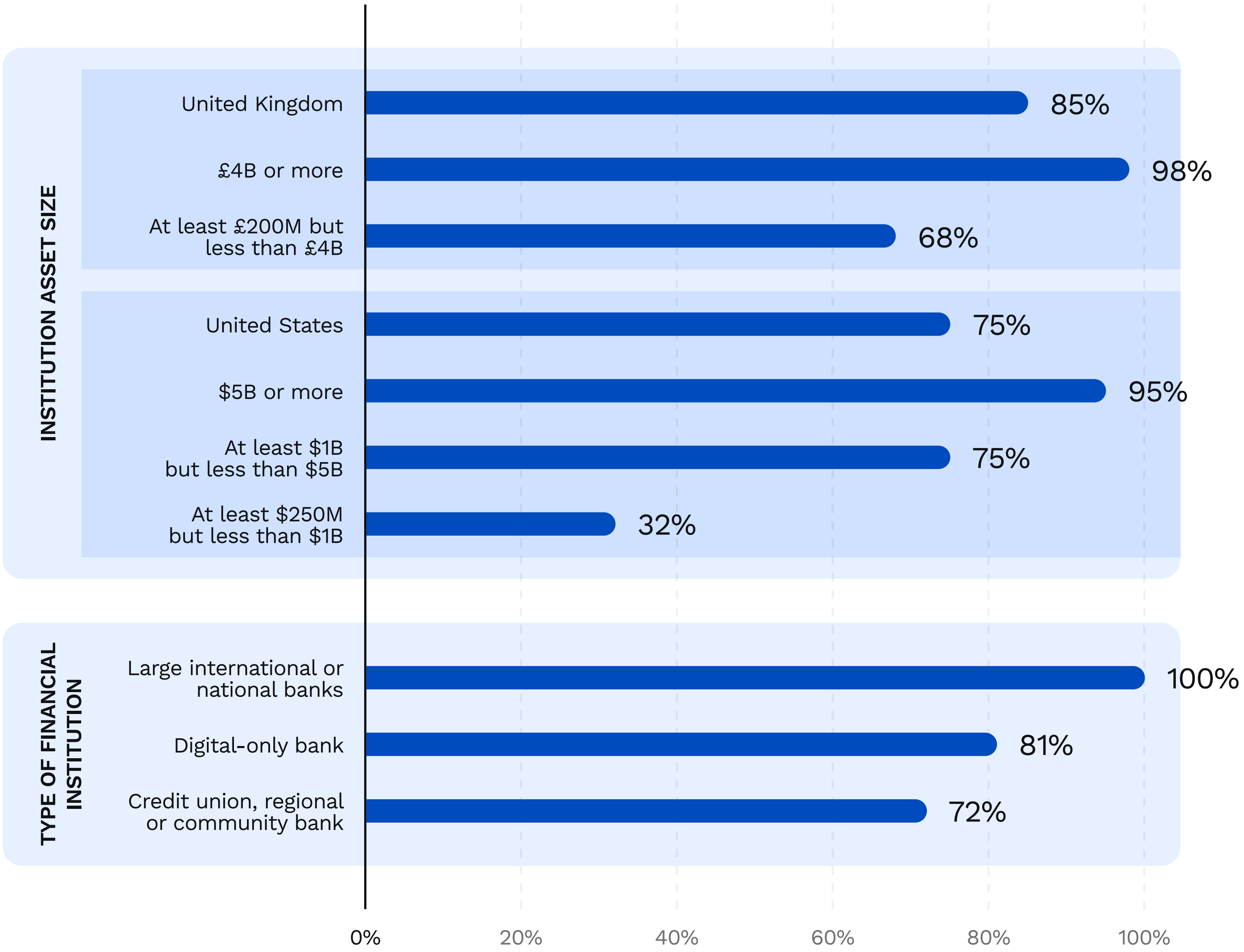
> "Quick data access would improve our fraud detection capabilities, ensuring loans are granted only to legitimate businesses"
>
> —Lending executive at a large U.K. national bank

Large banks lead in third-party data use—but the more SMBs they serve, the less they rely on external sources.

Adoption of third-party data for SMB lending scales sharply with institutional size. Among large international and national banks, usage is universal—100% report leveraging external data. For U.S. banks with $5 billion or more in assets, that figure is nearly as high, at 95%. By contrast, use of third-party data plunges among smaller lenders: Just 32% of banks with less than $1 billion in assets use third-party inputs. A similar pattern holds in the U.K., where 98% of institutions with more than £4 billion in assets rely on external data, compared to just 68% of their smaller peers. These disparities reflect real differences in technology budgets and internal capacity, not mere preference. Large banks can afford to scale verification regimes. Smaller institutions rely on manual workarounds that can slow decisions and raise risk.

FIGURE 8

Bigger banks outsource more
Use of third-party data providers to assist in credit and lending decisions for micro or small businesses



Source: PYMNTS Intelligence
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The more banks serve SMBs, the less likely they are to use third-party data. As one executive from a U.K. community bank put it, “Automating business data access will substantially cut down the time spent on manual document collection and verification.” In other words, the task of verifying third-party data—however valuable lenders find the information—has an efficiency problem. Just half of institutions where microbusiness and SMB clients make up 60% or more of the portfolio use external data to underwrite loans. By contrast, 83% of banks with less than 30% of their portfolio in SMB loans use third-party data. This inverse relationship between data and experience reveals a scale problem. Higher SMB penetration strains budgets, limiting how often banks can justify the added cost of external validation for lower-ticket loans. The result: deeper SMB exposure paired with weaker data infrastructure. Banks most focused on SMBs may be the least equipped to assess them well.

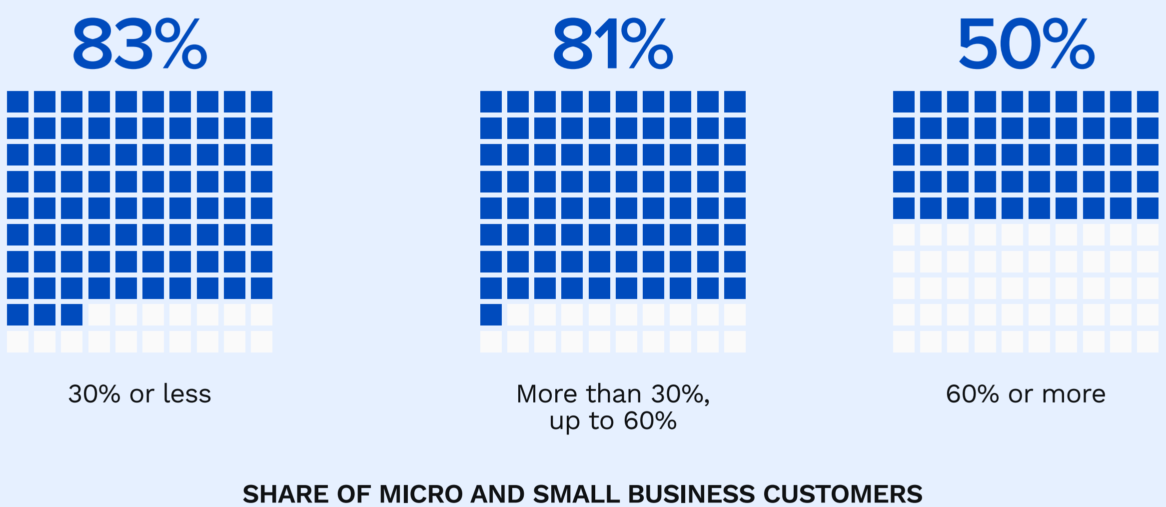
83%

Share of banks with less than one-third of SMB clients who **use external data sources to underwrite loans**

FIGURE 9

Peer reviewed

Use of third-party data providers to assist in credit and lending decisions for micro or small businesses



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ACTIONABLE INSIGHTS

01

Banks must address data reliability before expanding their small-business lending. Nearly three in 10 micro-SMB applications are rejected due to unverifiable legitimacy, five times the rate for enterprise-scale companies. Without third-party validation, banks tend to default to "no." That's risk avoidance, not risk management. Improving access to validated inputs such as audited financials or bureau data reduces rejections and unlocks revenue.

02

Real-time access to small-business data improves every stage of the lending process. Banks say it helps them sharpen their credit scoring, accelerate approvals and spot risk earlier. Streamlined data delivery also reduces manual work and enables more personalized credit offers. These improvements matter the most for microbusinesses, where slow or incomplete information often leads to delays or rejections. The takeaway is clear: Banks that can act quickly—without sacrificing data quality—are better positioned to serve and retain small-business borrowers.

03

Profitability tracks with credit assessment quality. Among banks with comprehensive SMB underwriting, 84% say their loans are profitable—while just 39% of less-equipped banks agree. Micro-businesses show an even starker gap. Verification drives returns. It's not just compliance—it's also strategy. Third-party data turns blind spots into bankable opportunities.

04

Data strategy must scale with SMB penetration. Just half of banks with high micro-SMB loan portfolio exposure use third-party data, versus 83% of banks with lower exposure. This leaves the most SMB-reliant banks operating with the least visibility. To achieve long-tail lending returns, banks need cheap, scalable validation—or they risk flying blind at scale.

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METHODOLOGY

Keeping Score: Why Data Quality Determines Lending Decisions for the Smallest Firms is based on a PYMNTS Intelligence survey conducted from March 4, 2025, to April 2, 2025. The study analyzes how financial institutions evaluate and underwrite micro and small-business creditworthiness. The sample includes 350 executives working in commercial lending, credit underwriting, customer acquisition or compliance at financial institutions in the United States and the United Kingdom. Participating institutions have at least $250 million or £200 million in assets. Respondents provided direct insight into how their firms use third-party and internal data when assessing business loan applications. The data reflects a balanced sample across digital-only banks, credit unions, regional banks and large multinational institutions.

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ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

Markaaz

Markaaz empowers banks, fintechs, and enterprises to confidently verify and onboard more businesses—faster and with less risk. As the leading enterprise B2B platform, Markaaz uses a proprietary algorithm to integrate data from 65,000+ sources, refreshing over 540 million business records across 200+ countries. Its real-time API delivers 240+ enriched attributes—like firmographics, financial health, and compliance—enabling smarter decisions, higher match rates, and lower costs. Businesses rely on Markaaz to streamline operations, reduce risk, enhance compliance, and accelerate growth with reliable, real-time, data-driven insights.

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