IOU Financial
Business Lending. Simplified.

The State of Small Business and Business Lending Report

SPRING / SUMMER 2025

SURVEY SUMMARY

Twice each year, IOU Financial surveys small business owners to gain direct insight into how entrepreneurs are navigating the evolving economic landscape, and to identify key trends shaping their financial decisions, growth priorities, and long-term outlook.

In this Spring/Summer 2025 edition, responses tell a compelling story of renewed confidence and momentum across the small business sector. **Despite lingering economic uncertainty, merchants are reporting a sharp increase in optimism about their business performance compared to the end of 2024, and the highest compared to any period since IOU published its first survey results in the Spring of 2022!**

Notably, **over 75% of small business owners say they plan to invest in their business within the next six months**—a powerful signal of forward-looking growth, operational confidence, and renewed appetite for funding and innovation.

This positive shift reflects not just improved performance, but a broader sense of resilience and adaptability. Entrepreneurs have adjusted to ongoing challenges, and are now positioning themselves to capitalize on opportunities in the months ahead.

For small business owners, this signals a time of opportunity, which can mean expanding their services, hiring new staff, or investing in equipment, marketing and technology.

For business funding Brokers (ISOs), the message is clear: **business owners are ready to grow, and they're actively looking for capital solutions that are flexible, fast, and supportive of their long-term vision.**

Additional insights for Brokers include the need to establish trust and build credibility through a transparent and professional sales process.

As small businesses continue to serve as the backbone of the economy, these findings offer a hopeful look at what's next: a sector driven by ambition, empowered by access to capital, and ready to thrive in 2025.

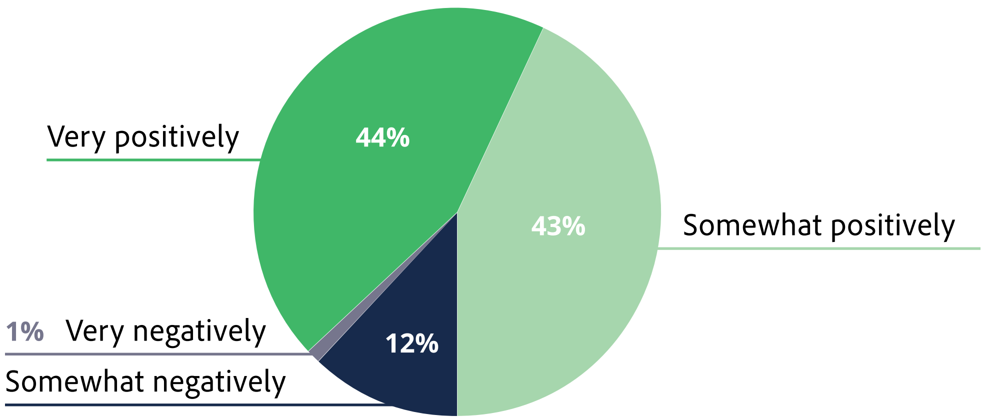
TIMING:
April 2025

RESPONDENTS:
218

MARGIN OF ERROR:
7% with 95% confidence

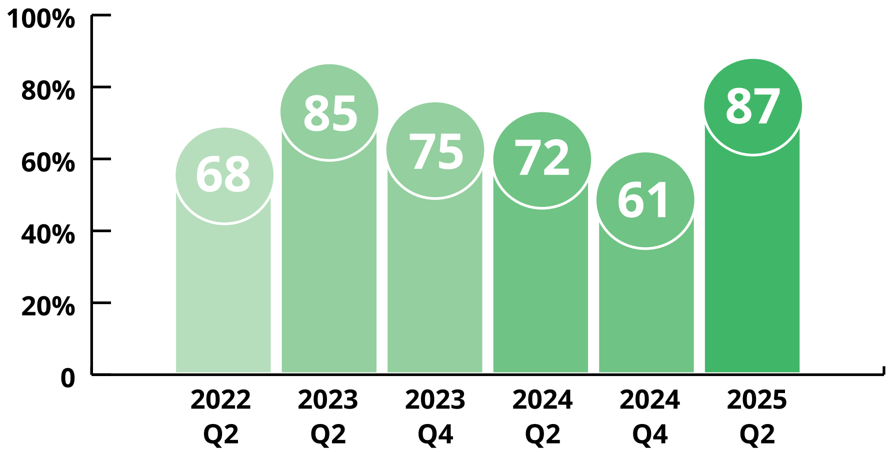
HOW WOULD YOU RATE THE CURRENT STATE OF YOUR SMALL BUSINESS?

Small business confidence is surging in early 2025, with **87%** rating their business health positively. This reflects better-than-expected performance, smarter operations, and improved access to tools and capital. For both business owners and lenders, it's a powerful signal that the small business economy is shifting into growth gear.



TRENDSPOTTER

POSITIVITY

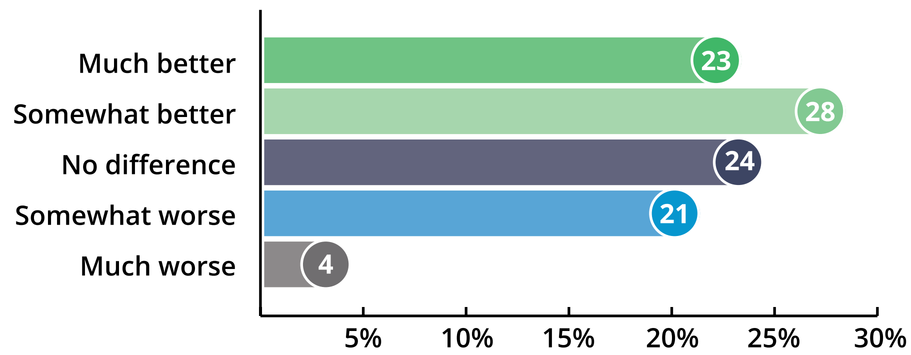


The 26-point jump in positive sentiment from Fall/Winter 2024 is more than just a feel-good statistic—it reflects a real shift in business confidence that can fuel decisions around hiring, investment, and expansion. It's a strong indicator that small businesses are finding ways to thrive, even in a complex economic environment (including a fast-moving tariff war developing during the survey response period!) It's also the highest level of positive sentiment we've seen!

HOW HAS YOUR BUSINESS PERFORMED SO FAR IN 2025 COMPARED TO YOUR PROJECTIONS FOR THE SAME TIME PERIOD?

Just over **50%** of merchants feel their business has performed better so far in 2025 compared to their projections. More small businesses outperforming their own projections indicates growing resilience, smarter planning, and better adaptation to today's market realities. This sets a positive tone for the rest of 2025 and presents real opportunities for both growth-focused small businesses and forward-thinking lenders.

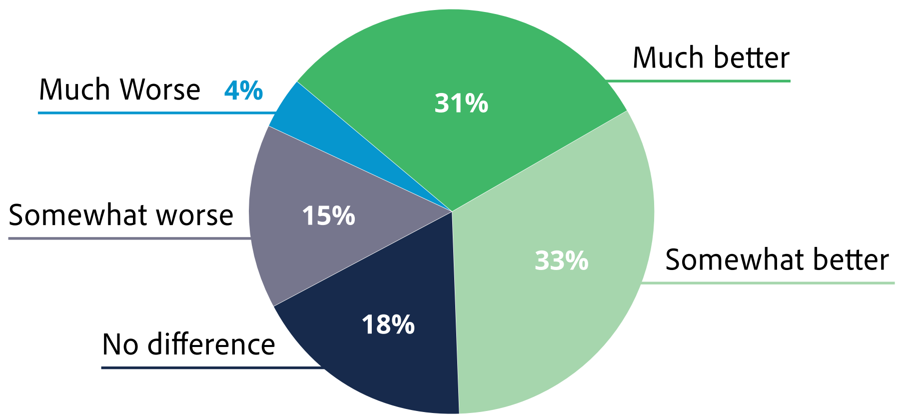
Once again this reflects a sharp increase from the previous period (Nov 2024) when respondents reported a 36% favorable performance in their business—another strong positive indicator that business owners have found a way to thrive and grow in 2025!



JUST OVER **50%** OF MERCHANTS FEEL THEIR BUSINESS HAS PERFORMED BETTER SO FAR IN 2025 COMPARED TO THEIR PROJECTIONS.

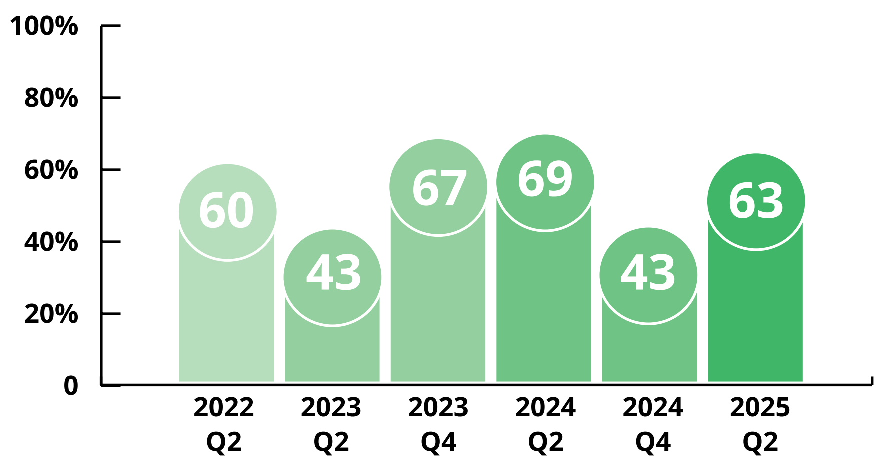
HOW HAS YOUR BUSINESS PERFORMED SO FAR IN 2025 COMPARED TO THE END OF 2024?

63% of merchants feel their business has performed better in 2025 compared to the end of 2024. The fact that almost ⅔ of businesses are experiencing significant growth in 2025 vs the previous six months once again shows remarkable progress, and is a possible reflection of both growing market resilience and smart operational pivots. This signals a prime moment for lenders to engage and for business owners to explore funding paths that support sustainable, strategic expansion.



TRENDSPOTTER

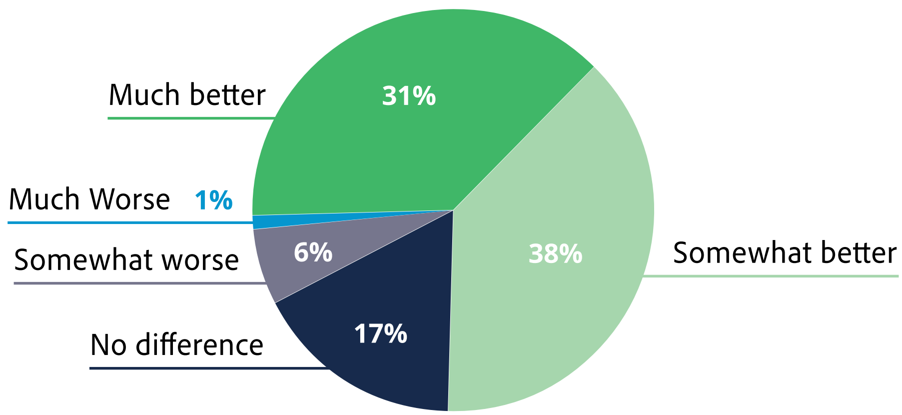
How has your business performed better in the last six months compared to the prior six-month period? (Better)



The data suggests a combination of business cycles and external economic conditions at the time of the survey. For example the unusually low performance reported in Q2 2023 may be a reflection of Q1 economic data including slowdowns in growth, consumer spending and business investments.

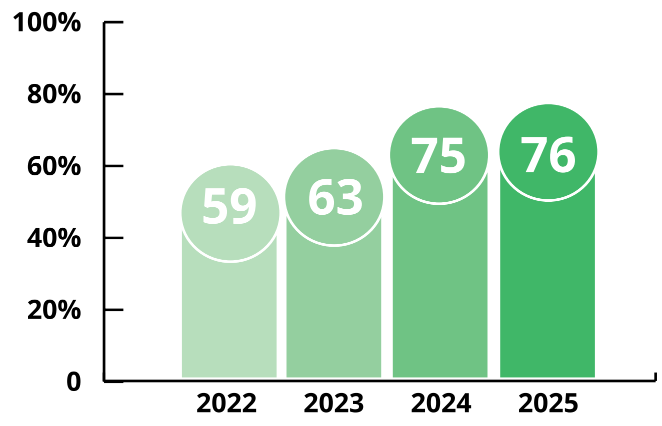
OVERALL, HOW DO YOU PROJECT YOUR SMALL BUSINESS WILL PERFORM IN 2025 COMPARED TO 2024?

We're thrilled to report that optimism about the rest of 2025 is up, with more than 3/4ths (**76%**) of merchants projecting their small business will perform better than it did in 2024. Compared to 2024, small business owners in 2025 are operating with more tools, more experience, and more clarity. They're optimistic because they've weathered tough conditions, and now see real opportunities to grow, even if challenges remain.



TRENDSPOTTER

How do you expect your business to perform this year compared to the year prior? (Better)



The steady increase in optimism from 2022 to Spring/Summer 2025 suggests that small business sentiment continues to improve significantly. While external challenges may still exist, the majority of small business owners now expect better performance year-over-year, reflecting stronger resilience, adaptation, and growth potential in the current business environment.

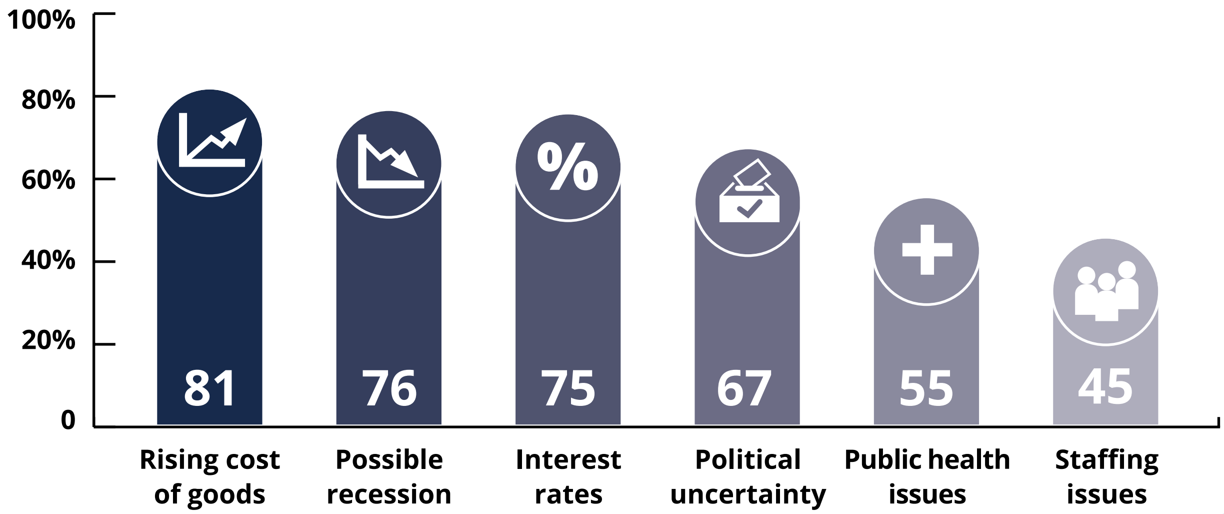
HOW CONCERNED ARE YOU ABOUT THE FOLLOWING AFFECTING YOUR SMALL BUSINESS IN THE SHORT TERM?

81% of small business owners are worried about the rising cost of goods, keeping it in the #1 spot for areas of concern. Owners may face margin pressure and cash flow challenges, particularly if supplier prices fluctuate or inventory costs spike. Around **76%** are concerned about a potential recession and interest rate increases.

Entrepreneurs can focus on improving cost management and cash flow forecasting while seeking funding that is predictable, transparent, and adaptable to economic shifts.

Financing providers should offer solutions to help stabilize cash flow, such as lines of credit, inventory financing, or flexible payment terms. And support merchants with tools that simplify decision-making under stress, like ROI calculators, or quick comparison guides.

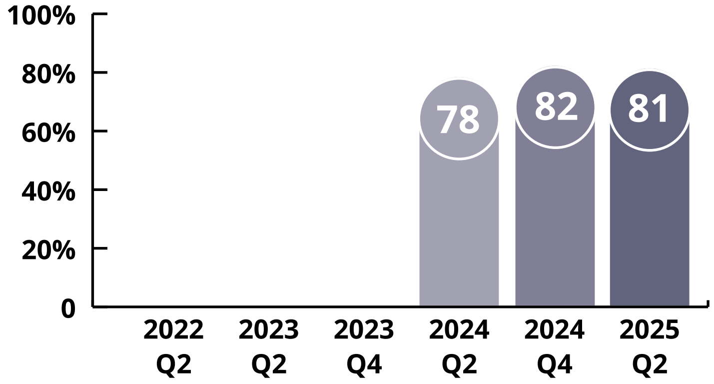
The market demands flexible, clear, and fast funding more than ever.



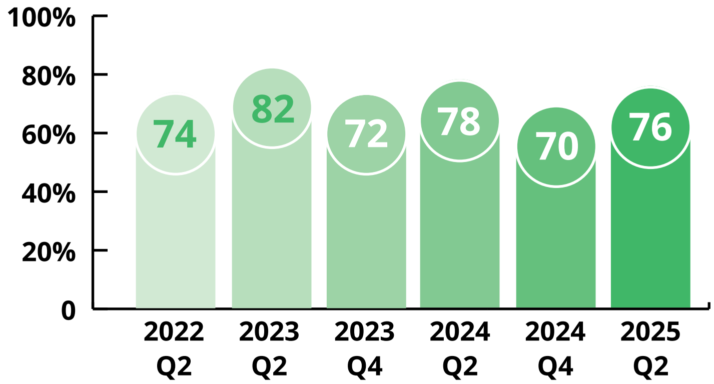
81% OF SMALL BUSINESS OWNERS ARE WORRIED ABOUT THE RISING COST OF GOODS, KEEPING IT IN THE #1 SPOT FOR AREAS OF CONCERN.

TRENDSPOTTER

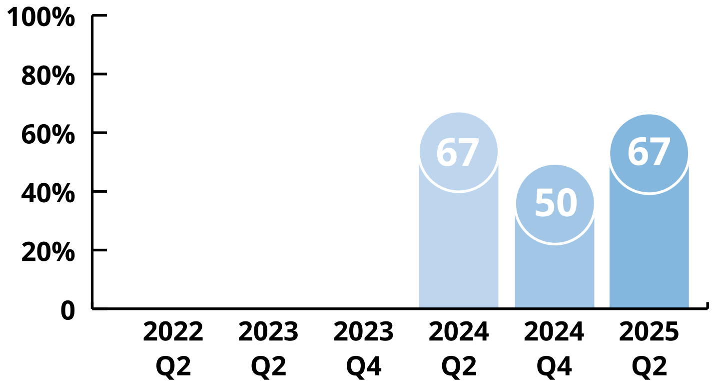
Rising Cost of Goods



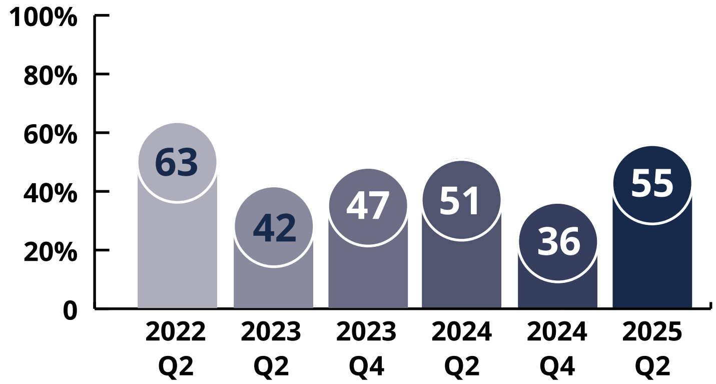
Possible Recession



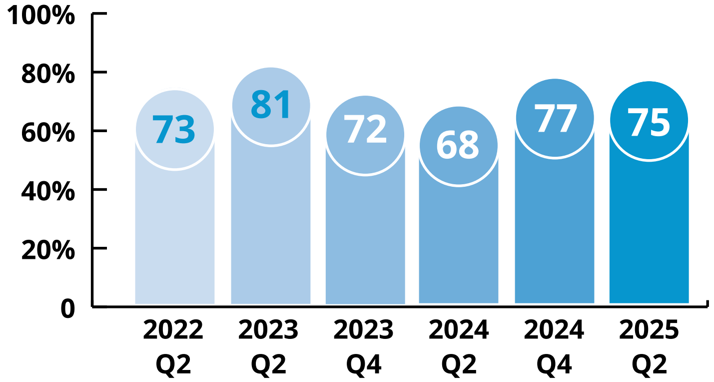
Political Uncertainty



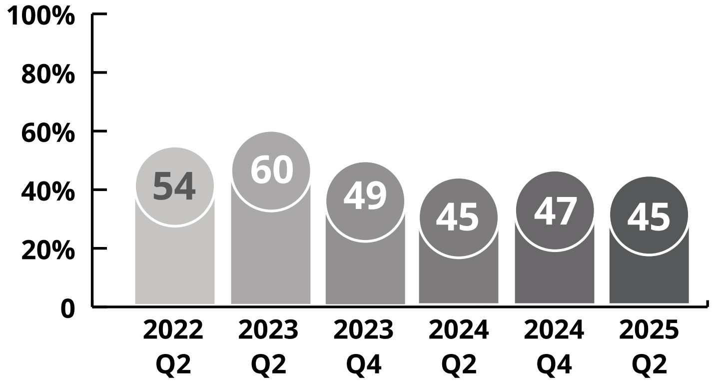
Public Health Issues



Interest Rates



Staffing Issues



Even with signs of inflation easing in some areas, perceived costs and future uncertainty remain high (**81%**), showing little change from Fall/Winter 2024 (**82%**).

A noticeable portion of small business owners (**67%** now vs. **50%** Fall/Winter 2024) are more wary of political uncertainty, presumably related to developments in global trade and tariffs.

Concerns about staffing issues have decreased by three percentage points, but interestingly, concerns around public health have risen by 19 percentage points. However, increased public health concern may not be about a new crisis—rather about a more cautious, disruption-aware mindset that's been shaped by the past few years, as well as recent reports of measles, avian flu, etc.

77%

OF MERCHANTS PLAN TO INVEST IN GROWTH, WHICH HAS BEEN CONSISTENT FOR THE PAST 18 MONTHS.

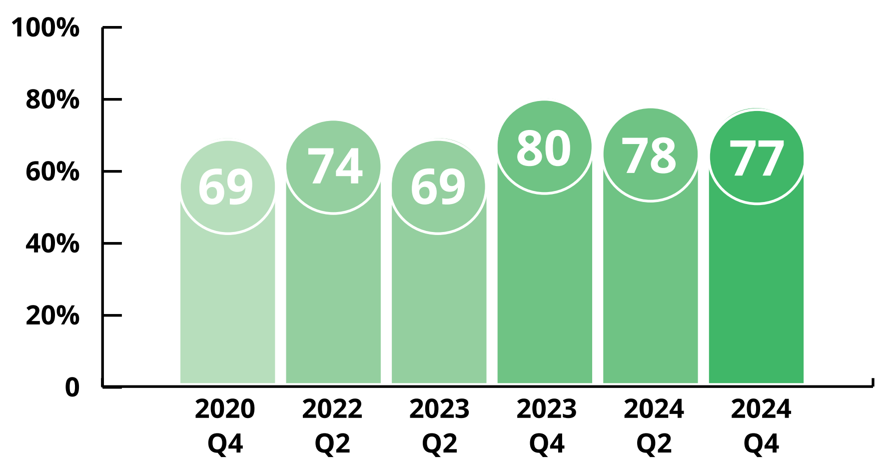
DO YOU PLAN TO INVEST IN YOUR BUSINESS WITHIN THE NEXT SIX MONTHS?

77% of merchants plan to invest in growth, which has been consistent for the past 18 months. This shows resilience and optimism, even amid inflation, rising interest rates, and market uncertainty. The small business landscape is growth-oriented, not stagnant.

Small business owners planning to invest should start researching options now. Many lenders offer pre-qualification tools, seasonal promotions, or flexible repayment options.

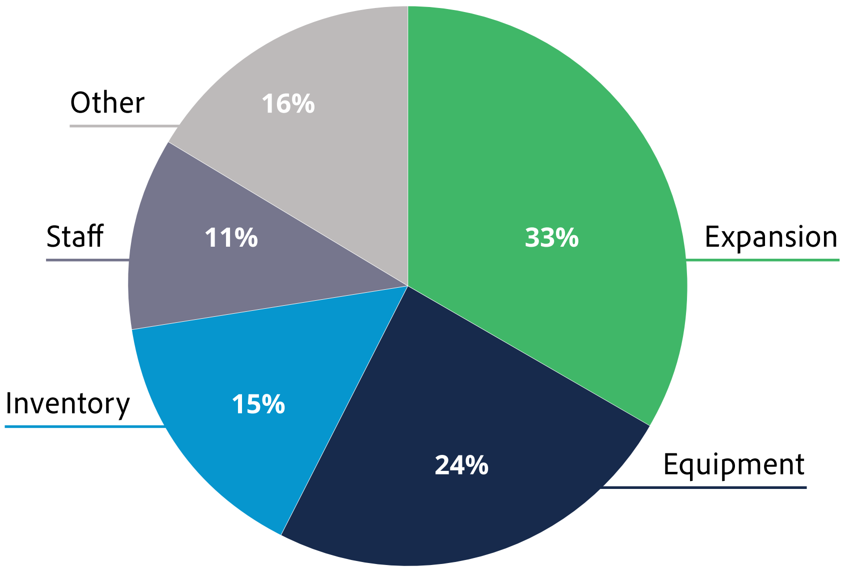
For financing providers, this is a strong green light for business lending. Even if interest rates or operational costs are increasing, demand remains high, and lenders can lean into this momentum.

TRENDSPOTTER



WHAT WOULD MOST HELP YOUR BUSINESS GROW RIGHT NOW?

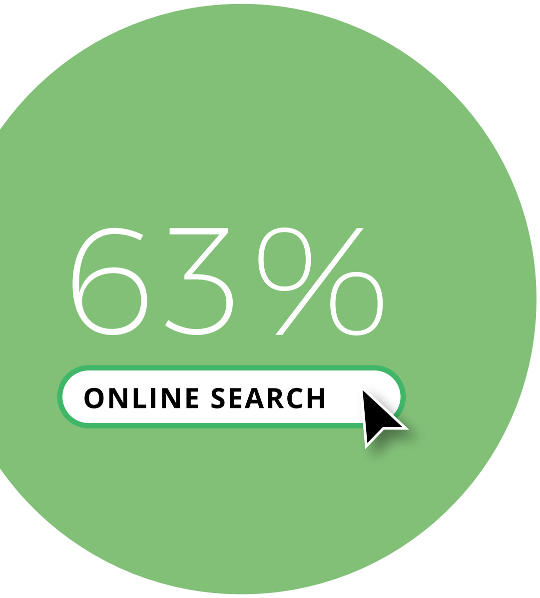
Small business owners report that the most critical needs to fuel growth right now fall into these categories:



The Small Business Lending Experience

In this edition of the survey, we've added a dedicated section to explore small business owners' real experiences with the lending process. This new segment takes a closer look at how entrepreneurs search for funding, where they apply, what financing options they prefer, and the challenges they face—from application confusion to overwhelming sales calls.

This information is valuable not only for Brokers who can use it to refine their offerings and improve the borrower experience, but also for small business owners, who can gain perspective on how their peers navigate financing, what to expect from the process, and how to make more informed decisions when seeking capital.

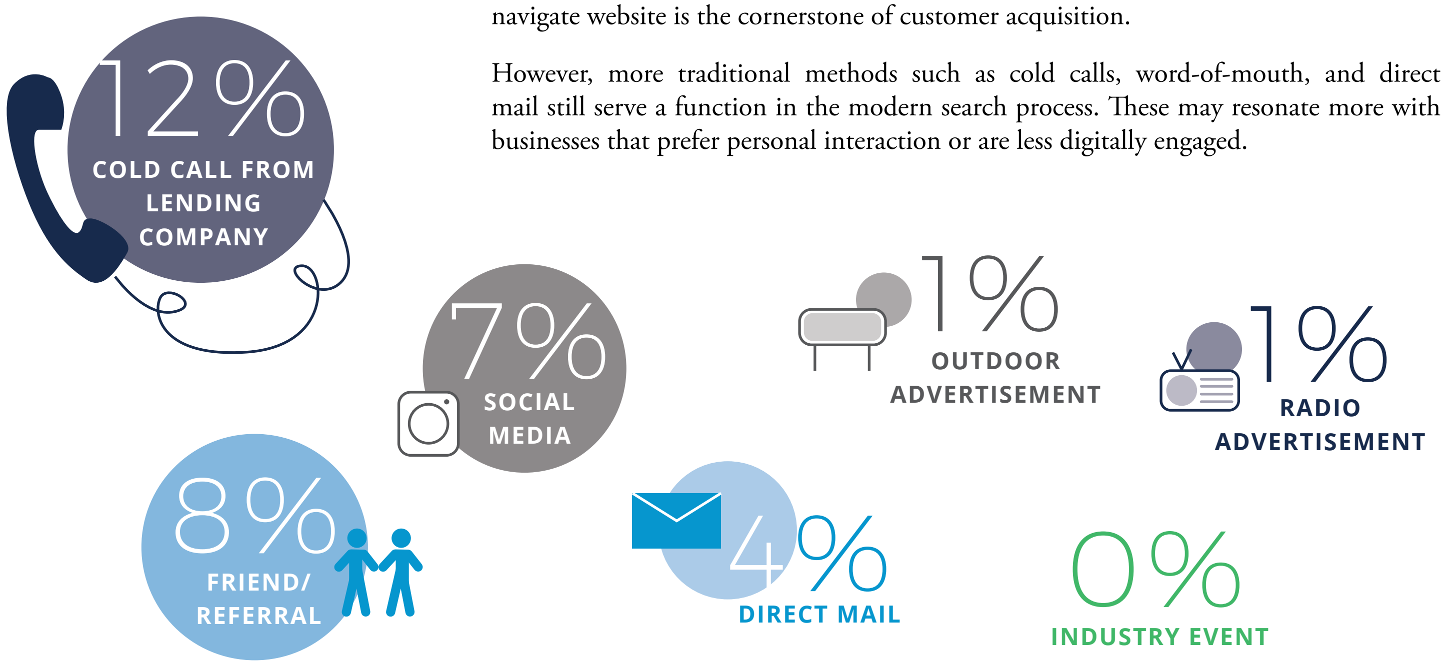


HOW DO SMALL BUSINESS OWNERS BEGIN THEIR SEARCH FOR BUSINESS FUNDING OPTIONS?

Not surprisingly, more than **60%** of small business owners begin their search for business funding with an online search. Timing is everything, and only the business owner knows when the time is right to seek growth capital.

What this means for Brokers is that having a solid online presence along with an easy-to-navigate website is the cornerstone of customer acquisition.

However, more traditional methods such as cold calls, word-of-mouth, and direct mail still serve a function in the modern search process. These may resonate more with businesses that prefer personal interaction or are less digitally engaged.

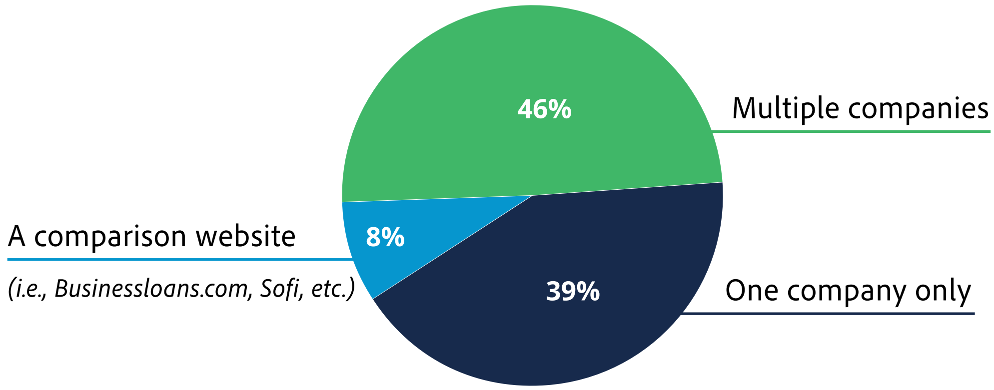


HOW DO SMALL BUSINESS OWNERS APPLY FOR BUSINESS FINANCING?

We see a clear trend toward comparison and competitive shopping in the business financing space. Nearly half of entrepreneurs (**46%**) apply with multiple providers, suggesting that small business owners are becoming increasingly strategic and cautious in their funding decisions.

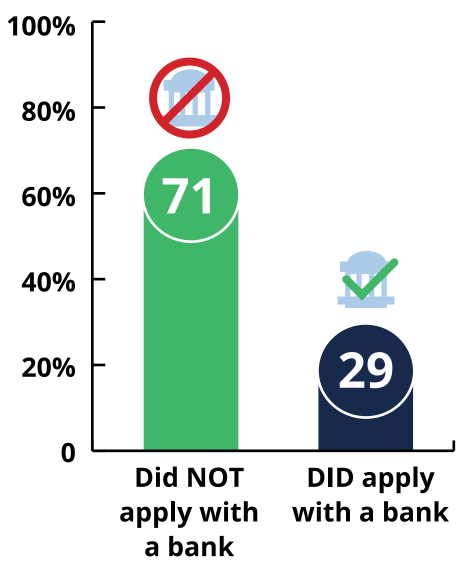
Applying with multiple providers allows small business owners to compare rates, terms, and service, increasing their chances of finding the best fit. However, applying broadly may impact credit (if hard inquiries are involved), so they should look for lenders that offer pre-qualification tools with soft pulls.

With nearly half of applicants shopping around, business lending providers must stand out early. Follow-up speed and clear communication are critical to winning the borrower.



DO SMALL BUSINESS OWNERS APPLY WITH THEIR BANK BEFORE EXPLORING ALTERNATIVE (NON-BANK) FUNDING OPTIONS?

More than **70%** of small business owners do not apply for business funding with their bank before exploring non-bank options. This trend highlights a major shift in trust and preference away from traditional banks and toward alternative lenders—which could be driven largely by the desire for speed, flexibility, and ease of access.



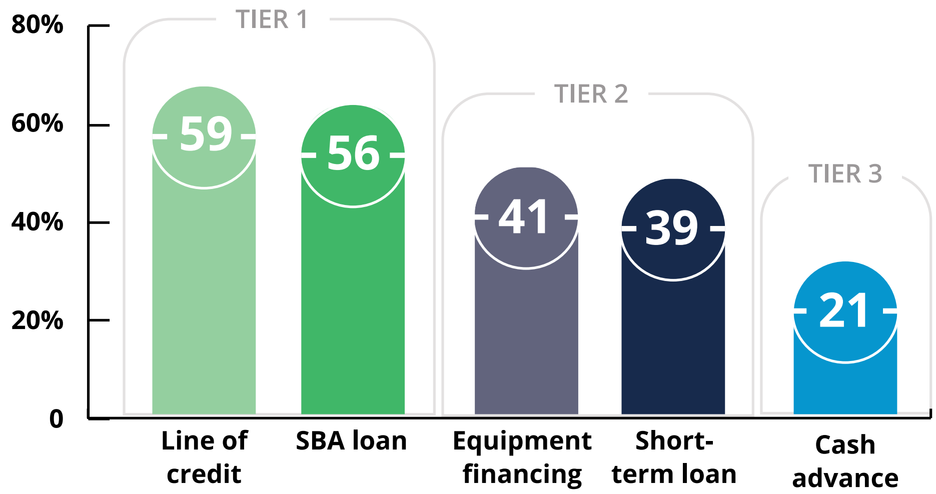
THE FINANCING PRODUCT WITH THE MOST FAVORABLE IMPRESSION IS A LINE OF CREDIT.

59%

HOW DO SMALL BUSINESS OWNERS VIEW TYPICAL FINANCING PRODUCTS?

The financing product with the most favorable impression is a line of credit (**59%**), followed closely by an SBA loan (**56%**). There is a clear preference for flexible and strategic funding tools, while cash advances (**21%**) are viewed least favorably.

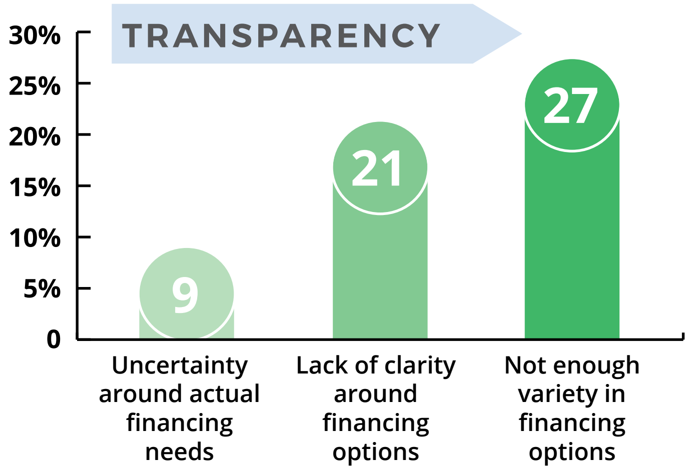
Lending partners can focus marketing around more highly-rated products while addressing merchant concerns with lower-rated options through clear communication, better repayment terms, or product bundling.



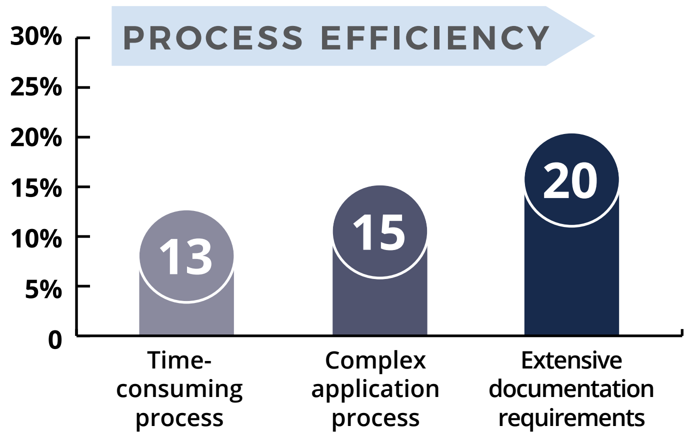
WHAT ARE THE BIGGEST PAIN POINTS REPORTED BY MERCHANTS:

Alternative financing is a highly competitive field and the process can be challenging, especially for first-time shoppers. These pain points can erode the trust required to make a decision, and can therefore have a negative impact on outcomes.

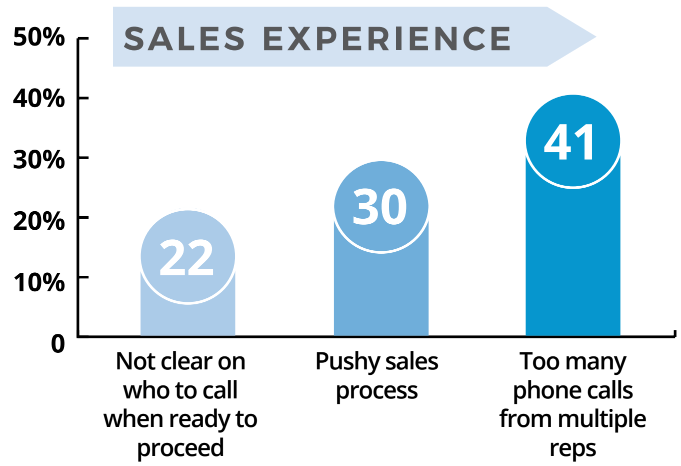
Respondents' pain points fall under three areas where brokers can improve the experience with greater transparency, improved efficiencies and a more consultative sales experience.



Many Merchants lack the information/knowledge to navigate their decision with confidence. Some feel pressured into one-size-fits-all solutions with complicated loan structures and repayment terms. Can we do a better job of educating the client and explaining the options, including the options for which they may not qualify?

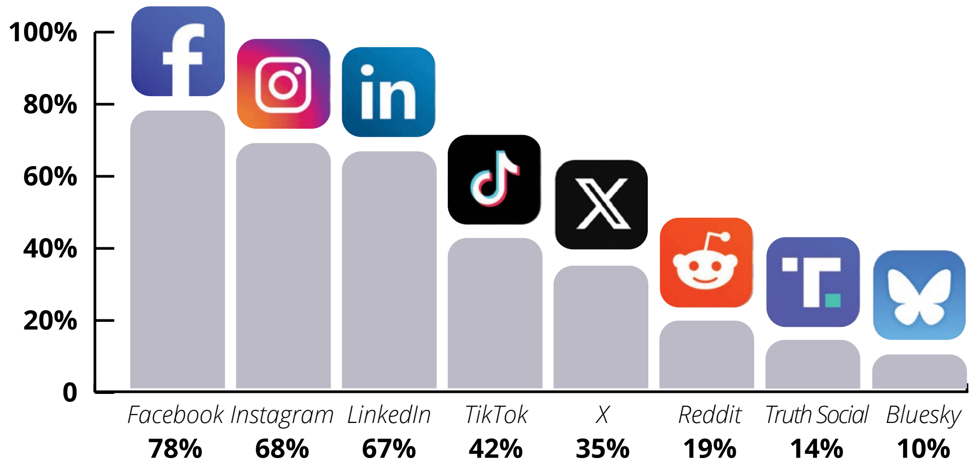


The financing process seems complex to some. While some of the perceived inefficiencies are unavoidable (ex. the need to secure an electronic signature), how many could be addressed with various third party and self-service tools?



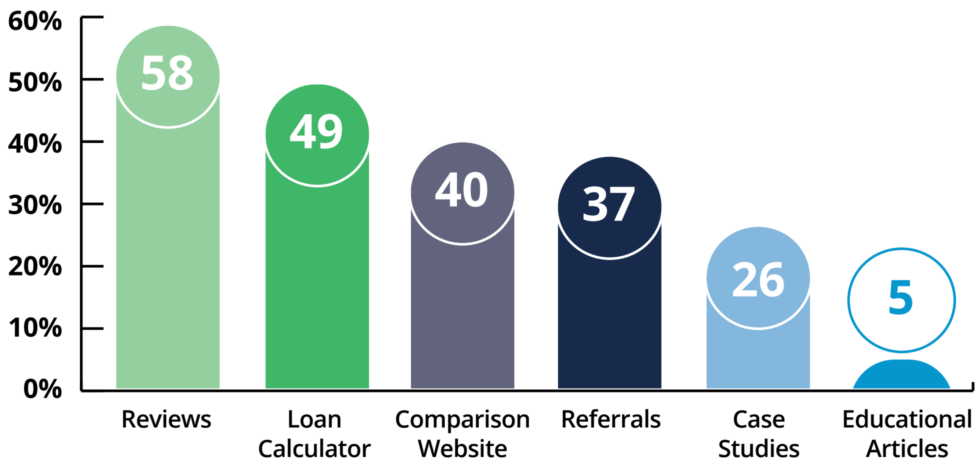
The overall experience suffers due to aggressive outreach and follow up efforts, leading to mistrust and possibly lost opportunities. Some of them receive so many calls from various reps that they are not even sure who to call back when they're ready to close! Many merchants are looking for a more consultative approach focused on making the right choice rather than rushing into a closing call.

WHAT SOCIAL MEDIA PLATFORMS DO SMALL BUSINESS OWNERS USE MOST FOR BOTH PROFESSIONAL AND PERSONAL REASONS?



Brokers can align marketing and lead generation efforts with where merchants already spend their time. They should also try diversifying content by platform. What works on LinkedIn won't necessarily resonate on TikTok or Instagram.

WHAT CONTENT DO SMALL BUSINESS OWNERS FIND MOST VALUABLE TO HELP CHOOSE THE RIGHT BUSINESS FUNDING PROVIDER?



Brokers would be smart to invest in their review ecosystem as it's a #1 trust-builder. Additionally, they can benefit from creating interactive, lead-generating calculators for loan estimates; publishing short, data-driven content to reinforce thought leadership and trust; and using referrals, case studies, and downloadable reports to diversify their content funnel.

ARE SMALL BUSINESS OWNERS MEMBERS OF ANY ASSOCIATIONS OR NETWORKS?

With nearly **7 in 10** small businesses unaffiliated, Brokers have an opportunity to educate this group on financial products, credit management, and application readiness. By recognizing the disconnect between small businesses and formal networks, providers can position themselves as a bridge—not just a lender.

However, the **31%** who are members represent a warm entry point for strategic partnerships with business associations. Brokers can co-host educational events, offer exclusive financing packages, or build trust via established networks.

HOW IMPORTANT IS IT TO SMALL BUSINESS OWNERS THAT THEIR BUSINESS FUNDING PROVIDER IS A MEMBER OF AN ASSOCIATION OR HAS MANY POSITIVE REVIEWS?

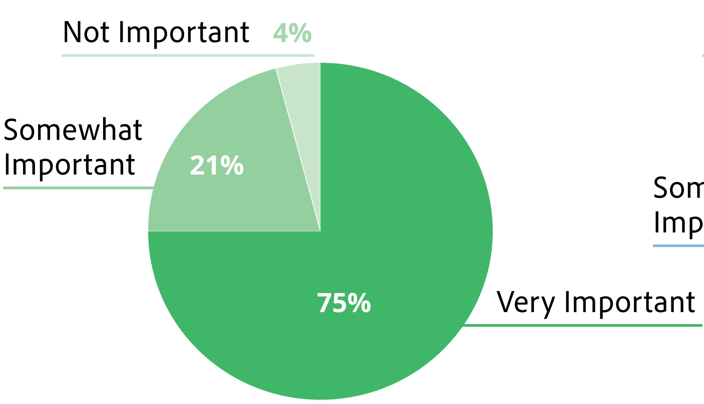
96% of small business owners say it is important that their funding provider is a member of an industry association that promotes transparency and trust. 75% of them rate it as very important.

And **95%** of respondents also emphasize the importance of positive reviews from independent sources like Trustpilot or Google.

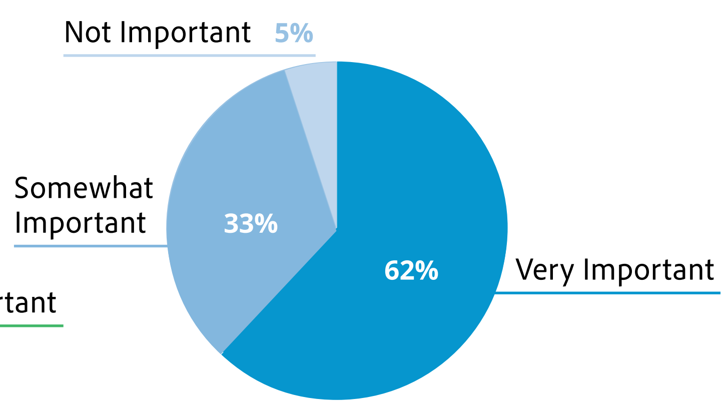
These findings highlight that small business owners are not only looking for capital. They're looking for reliable partners who demonstrate ethical practices, transparency, and a commitment to client success.

For the Broker, this means that trust is the most essential currency they can offer. Being a part of an association and/or being able to showcase legitimate positive reviews from clients is a critical consideration.

Is part of an industry association that promotes transparency and trust



Has many positive reviews from an independent source (ex: Google, Trustpilot, etc.)



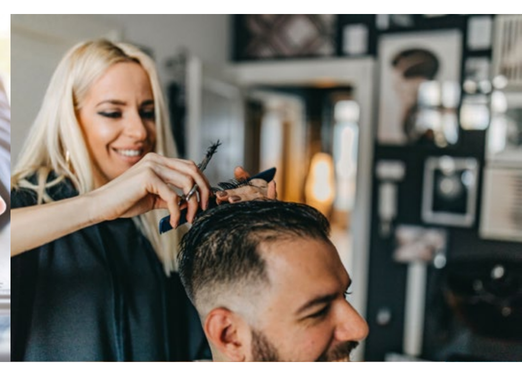
DO SMALL BUSINESS OWNERS PREFER MORE AUTOMATION OR MORE HAND-HOLDING IN THE LENDING PROCESS?

When it comes to the process of shopping for financing, small business owners are seeking a balanced experience that may include more access to personalized service and advice (**34%**) or more automated tools to expedite the process (**19%**).

Increased digital literacy and use of fintech tools make many business owners more comfortable with automation. However, due to the complexity of financing, trust and clarity remain key, especially when evaluating loan terms, eligibility, or repayment structures.

For both sides, the borrowing experience should not be either/or—it should be both. A blend of streamlined automation and accessible human interaction empowers small business owners to choose their own path, and gives Brokers a competitive edge in today's evolving marketplace.

IN THE FINANCING PROCESS, SMALL BUSINESS OWNERS ARE SEEKING A BALANCED EXPERIENCE OF AUTOMATION AND PERSONALIZED SUPPORT.



THINKING ABOUT THEIR MOST RECENT BUSINESS FINANCING EXPERIENCE, HERE'S WHAT WENT WELL AND WHAT COULD HAVE BEEN BETTER FOR SMALL BUSINESS OWNERS:

What Went Well:

35%

Simple and Easy Processes

Several respondents highlighted that the application process was straightforward when they had the proper documentation prepared.

22%

Customer Service & Professionalism

Many business owners praised the customer service and professional demeanor of representatives, which contributed to smoother interactions.

15%

Quick Approvals and Funding

A few merchants noted fast responses and successful closings, such as receiving lines of credit.

3%

Preparedness Pays Off

Business owners who came prepared with documents found that it streamlined the experience and led to better outcomes.

What Could Have Been Better:

19%

Trust & Transparency Issues

Several merchants reported being ghosted, misled, or feeling penalized without fair consideration. A few cited broken promises or deals that were not delivered as advertised.

16%

Technology and Communication Issues

Some experienced lost documents, system errors, or delays in communication that slowed the process. Many were frustrated by the amount of outreach (calls, texts, emails) from brokers or lenders, both before and after funding.

12%

Lack of Guidance & Clarity

Many business owners expressed a desire for more direction, especially first-time borrowers or those unfamiliar with lending terminology. Confusion over required documents or the next steps created unnecessary roadblocks.

6%

Mismatch of Lending Products to Needs

Some business owners felt as if they were being pushed into the wrong type of loan, or having reps who didn't understand their specific business needs.

Recommendations for Improvement

- Improve transparency and match offers to business needs more accurately.
- Simplify communication and tech processes—ensure document delivery systems are reliable.
- Offer clear checklists for application readiness and education for first-time borrowers.
- Reduce repetitive paperwork and streamline approval timelines.

CONCLUSION

With business growth projections and investment intentions reaching near-record levels, the demand for growth capital is expected to surge in 2025.

For business funding brokers, the key to converting leads and closing deals lies in delivering an exceptional customer experience. Business owners consistently tell us that trust, transparency, and clarity are essential to their decision-making process.

IOU Financial is committed to providing responsible growth capital through flexible Term Loans, helping fuel the success of small businesses across America, delivered in partnership with a network of trusted brokers.