Small Business Financial Education

A Trillion Dollar Opportunity for Banks

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Introduction

Small businesses are growing at a rapid pace and now represent a large portion of the U.S. economy. According to the Small Business Administration (SBA), they employ roughly 46% of the American workforce and contribute 44% of U.S. GDP.[1] Driven by their increasing need for capital and the emergence of new lending options, the small business loan market is forecast to grow 13% annually to more than $7 trillion by 2032. However, small businesses largely remain underserved by banks and credit unions. Many financial institutions perceive that small businesses require fewer services, incur higher costs to serve, and are a low-profit demographic. As a result, financial institutions often focus outreach and resources on consumers and big companies while failing to fully optimize relationships with the smaller businesses that lie in the middle.

The small business loan market is forecast to grow

13%

annually to more than $7 trillion by 2032.

Now, as fintech companies rapidly encroach on the small business market, banks and credit unions can no longer afford to leave the growing opportunities on the table. One way to deepen relationships and start tapping new small business opportunities is by investing in small business education. Offering educational content before, during, and after the point of decision enables banks and credit unions to grow revenues, enhance customer retention and trust, and engage in highly effective cross-selling and upselling. By proving themselves to be trusted partners, banks and credit unions can provide small businesses with the capital they need and ensure they make informed business and financial decisions.

The Growing Small Business Lending Market

Small Business | A growing force in the economy

33 million
operate in the United States[3]

REPRESENTING

99%
of all business[3]

A growing number of Americans are also aspiring to self-employment, and a record number of small businesses were formed during the COVID-19 pandemic.[4] Part of this is due to the rise of "gig work" and the fact that technology has made it easier for people to start micro-businesses and operate from anywhere.

19%
of Americans currently own a small business[5]

26%
started their business within the past year[5]

"Small businesses are growing rapidly, and many entrepreneurs are launching ventures out of opportunity or necessity. Job cuts and economic shifts since the pandemic have led many to pursue new dreams."

Scott Beck
Director of Product Management, Financial Education, Everfi

These small businesses and their owners are also increasingly diverse. Many are women- or minority-owned and speak other languages, such as Spanish.

In 2023, Latinos created 36% of new businesses in the United States, more per capita than any other racial or ethnic group.[6]

Meanwhile, the capital and borrowing needs of these small businesses are expanding. A recent study found that the small business loan market is forecasted to grow by more than 13% annually, from $2.46 trillion in 2023 to over $7.2 trillion by 2032, with a particularly increasing demand for capital among startups and small businesses.[7]

As the small business lending market expands, the rise of digital lending solutions and non-bank lenders is also reshaping the competition and marketplace. Small business owners need many business and financial services that are not being met. In recent years, agile fintech companies have targeted the small business market with innovative business banking services designed to address common challenges, including cash flow management, travel expense management, and payroll.[8]

Merely maintaining operations and profitability is a tough hill for many small businesses.

21.5%
of all small businesses fail in their first year[9]

48.4%
will fail within five years[9]

only 1/3
will make it to 10 years[9]

While recent years have been favorable for the small business segment, these businesses still face numerous challenges. Half or more of those surveyed reported being understaffed, navigating a more competitive labor market, and struggling to increase their employees' salaries to keep pace with inflation.[10]

One-person businesses, typically referred to as "solopreneurs," also face their own unique set of challenges, one of which is securing lending. Poor accounting standards and balance sheets, cash flow challenges, and erratic revenues can often make it difficult for some entrepreneurs to qualify for typical business loans.

85%
of solopreneurs report using a personal or business credit card to make purchases for their business or as a source of quick funding[11]

nearly 6 in 10
say they've used one for emergency funding[11]

Beck notes that many banks and credit unions could have notable opportunities in the small businesses they have overlooked for decades. And what may not be considered a large or profitable business now can become one in the coming years.

> **"The small business that starts with the bank can be the one that stays with the bank. If you help them in those early days when they're just figuring things out, they will remember that. Their loyalty and trust are incredibly powerful over the long term."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

The Financial Literacy Gap Among Small Businesses

Many small business challenges are related to a lack of financial literacy and knowledge. Owners often struggle with the overall cost of owning and operating a small business, including financial planning, loan applications, and credit management. Many lack a formal business plan and proper cash management strategies.

Unsurprisingly, financially literate business owners have higher survival rates and better loan repayment behaviors.[12] Financial literacy also benefits those who will become future business owners. One survey found that as workers' financial skills increase, so does the probability of becoming self-employed. It noted that self-employment requires individuals to expand their skill set to manage money. At the same time, those who are more financially literate have a greater likelihood and interest in working for themselves.[13]

While there's a need, there is a notable lack of accessible, personalized financial education for entrepreneurs. Most people take the initiative to educate themselves, but they often do so only when issues or challenges arise. As others may look to a CPA for guidance, this typically entails occasional meetings focused on taxes and cash flow, with limited ongoing support for continuous financial education.

> **"Right now, small business financial education is more than a need. It's an opportunity. As more people start businesses, they're looking for trusted partners who can help them and offer some financial insight."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Small business owners typically face the same financial literacy challenges as general consumers. They struggle to make the best-informed decisions about saving, spending, debt, cash flow, and general business management. While many may be masters of their craft, possess marketing savvy, or have experience building a business, they may lack the necessary background and knowledge to make informed business decisions. For example, many individuals struggle to understand financial statements, cash flow management, budgeting, taxes, debt management, and how to navigate business risks.[14]

While many small business owners believe they have a high level of financial literacy, half admit they face fiscal challenges.

39%

still manage their financial matters themselves[15]

only 15%

said they use an accountant or financial advisor[15]

Common challenges they encounter include optimizing tax strategies, implementing budgets, and interpreting financial statements and cash flow.

only 38%

of small business owners say they have a reserve fund for emergencies[16]

13%

have no plan for unexempted expenses[16]

One result is that many small business owners use credit cards with high interest rates for short-term lending, which can lead to struggles with cash flow, says Beck.

> **"Small businesses may begin putting startup costs on a credit card, and they never get a handle on cash flow. It's quite common."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

One study found that poor financial literacy costs small business owners an average of $118,121 in lost profit.

45%

say they've lost at least $10,000 in earnings due to low financial literacy[17]

12%

believe they've missed out on $500,000 or more[17]

1/3

say better financial literacy would help them improve budgeting and cash flow[17]

only 50%

say they are confident they are paying taxes correctly[17]

> **"What if they had that extra financial insight? Many businesses fail not because they weren't viable but because they made early mistakes that could have been avoided with a little more financial education. One of the biggest killers of small businesses is cash flow management."**

Scott Beck
Director of Product Management, Financial Education, Everfi

The Business Case for Banks Investing in Small Business Financial Education

Banks and credit unions have long struggled to fully understand the needs of small businesses. Part of the problem is that small businesses are often viewed as a less profitable customer segment, requiring a lot of work for little return. Some banks have lessened their appetite for lending to small businesses because there's a greater risk of business failure, higher loan costs, and difficulty assessing creditworthiness.[18] Banks and credit unions often focus on bigger businesses while letting so many potential small business customers fall through the cracks, says Beck.

Nevertheless, financial institutions that pursue this market can find notable opportunities to expand relationships and revenues.

One promising area in the small business market is a 5% annual growth in revenue from credit cards, deposits, and merchant services/payments over the past five years.[19]

Additionally, many small businesses are seeking a "one-stop shop" that offers the convenience of having multiple products and services with the same financial institution.[19]

Another study found that small businesses are more interested in financial support than in banking products. Many financial institutions attempt to sell "off-the-shelf" financial products to these businesses without fully understanding their clients' needs and pain points.

The upside is that banks that are willing to put in the work to deepen relationships with small businesses can find many opportunities.

Business Growth and Bank Revenue Growth

Financially educated business owners are more likely to open accounts, take out loans, and use financial products wisely. Well-designed business plans, effective marketing strategies, access to lines of credit, and a solid understanding of cash flow management also help reduce the risk of subpar performance and loan defaults. More informed business owners tend to have longer business survival rates and grow more profitably, says Beck. However, when a bank or credit union transacts with a small business, they potentially engage with the owner, employees, and other individuals involved in that business.

> **"Banks that engage in small business financial education don't just build relationships with the business. They also build them with the business's employees and personal banking needs in mind. That one relationship can turn into multiple touchpoints across the organization and even into retail banking."**
>
> Scott Beck
> Director of Product Management, Financial Education, Everfi

Beck notes that small business owners with higher financial literacy are also more likely to have positive cash flow.

70% of small businesses that received training on digital financial tools experienced a significant improvement in operational efficiency, thereby increasing profitability[20]

By offering financial education, banks, and credit unions can increase their revenue streams as informed business owners seek out more sophisticated financial solutions. It's a win-win for both the business and the financial institution.

> **"A well-educated business owner is a good banking customer. The more they understand what they need and how to use banking products and services, the more likely they are to use them effectively and grow into long-term, profitable clients."**
>
> Scott Beck
> Director of Product Management, Financial Education, Everfi

Customer Retention and Trust

Small business financial education can lead to a notable increase in customer retention and trust.

up to a 40% increase in customer retention rates are seen by financial institutions with educational programs, suggesting that added value through education can help banks stand out in a crowded market.[21]

Providing education strengthens long-term relationships with small business customers. Banks that invest in financial education initiatives can build trust and loyalty, leading to higher customer retention rates. Beck notes that the point of financial education isn't always to convince them to buy a product or service. It is to open the door to a conversation and give them enough confidence to take the next step.

> **"Financial education lets you take the first step. It may encourage them to schedule an appointment and discuss some options. That alone can change the entire trajectory of their business."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Cross-Selling and Upselling

Financially educated business clients are more likely to use services beyond basic banking, such as cash management and credit lines. This offers more opportunities for cross-selling and upselling, which can often be tied to financial education initiatives.

One easy and immediate win that many banks and credit unions can achieve is converting businesses from high-interest-rate credit cards to lower-cost small business loans or lines of credit. For example, a small business carrying $18,000 on a credit card at 24% could save thousands with an SBA loan at 6%.

> **"The impact is immediate and dramatic. When we show them that side-by-side comparison, they realize the value, but it doesn't just land the financial institution a lending customer. It builds trust and opens the door to a long-term banking relationship."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Regulatory Alignment and Community Engagement

Supporting small business education helps banks and credit unions ensure greater compliance with regulations and to serve as stewards in their communities. Financial institutions can align their corporate social responsibility (CSR) efforts with regulatory requirements by promoting financial literacy among small business owners. This can also help companies thrive, strengthen local economies, and foster community relationships.

Tailored Educational Programs

Large financial institutions can leverage their resources to develop comprehensive online courses and workshops, while smaller financial institutions can offer personalized, community-focused educational sessions. Both approaches ensure that small business owners receive the financial knowledge they need to succeed.

Case Study

TD Bank

Small business education is a key component of strategy at TD Bank. TD has more than 1,150 locations across 16 states and offers a variety of small business banking products and services, including checking accounts, loans, credit cards, and business payment solutions. Small business owners often seek advice and education when engaging with banks, says Mandy Kelso, Head of Financial Education at TD.

"They are often the loneliest in the room. They often make decisions in the void, may not have a business partner, and have business fatigue because they're trying to learn and make decisions on the fly," she says.

While many small business owners succeed due to their skills and experience, they may lack a business education and background. Kelso notes that educating business owners before they make decisions can be extremely valuable. It can also help people who are considering starting a business or a side hustle to make better decisions along the way. For example, many small business owners don't understand business loans until they need one, while many also mix personal and business funds. One area where many small businesses may seek assistance is in developing business plans.

"The business plan is core to business strength because it forces you to look at profit, loss, and equity," says Kelso. "We go into the community, talk to business owners, and share the QR codes for the Small Business Resource Center and the TD Bank Learning Center."

TD Bank began working with Everfi in 2016 and offers small business modules covering a range of topics, including business loans, business plans, marketing, and managing cash flow. Kelso notes that QR codes have been a highly effective way to direct small business owners to the portal, as they assist retail store staff in interacting with customers. The bank also offers Spanish-language small business information to meet the growing demand for resources in this area.

"Banks need to be teaching their customers and offering the information they need. The healthier customers are, the healthier you will be as a bank," she says.

Best Practices for Small Business Financial Education

Small business financial education is most effective when it is targeted, relevant, and delivered at the right time. Banks and credit unions should start with the basics, use personalized messaging, and integrate education directly into the customer journey. Financial institutions should view nurturing small businesses and solopreneurs as an investment that can yield attractive returns over the long term.

> **"You never know when that micro business will grow into something much bigger. If you're the one that helped them from the beginning, if you were there when they needed support, they're going to stay with you as long as their business is open."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

To make the most of financial education for small businesses, there are several best practices that banks and credit unions should consider:

01 Start With the Basics

Small business financial education doesn't need to be complicated. In fact, the most impactful lessons are often the simplest. For example, while business planning is a critically important cornerstone of success, only about a third of small businesses have a formal business plan in place.

Entrepreneurs with a business plan are

260%

more likely to launch their idea[22]

71% of businesses with a business plan grow nearly

90%

faster than those without[22]

> **"They often need help with the business plan as one of the first steps. And it's the kind of thing that builds a symbiotic relationship between the business owner and the bank."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Other important areas include startup costs and access to financing. Many small businesses and entrepreneurs rely on high-rate credit cards because they are not aware of more sustainable funding options, such as term lines of credit, term loans, or SBA loans. In fact, according to **TD Bank's Financial Preparedness Survey: Small Businesses Owners' Report, 82% of small business owners are likely to seek a loan or line of credit in the near future—for operations, payroll, or expansion—but without sound financial planning and expert consultation, those efforts could fall short.**[23] This highlights the importance of not only awareness but also guidance in securing the right financial products.

Education about legal structures is another topic that can benefit small business owners. Most start as sole proprietors and operate from their personal checking accounts. However, as their business grows, many could benefit by converting to an LLC for liability reasons or an S-Corp to reduce their tax burden.

Ultimately, many small businesses struggle with cash flow, and a study found that more than 80% of small businesses that failed did so due to cash flow issues.[24]

Small business owners can benefit from educational content that highlights the importance of understanding cash flow, ensuring prompt payments, and budgeting to maintain healthy cash balances. "Education around cash flow not only helps them stay viable, it helps them expand and grow to that next level of business," Beck says.

02 Integrate Financial Education Into the Lending Journey

Banks and credit unions can cultivate more informed small business borrowers by providing information before the application process begins. Learning modules can provide an overview of the basics of starting, operating, and growing a small business.

For example, TD Bank's Small Business Resource Center features videos, articles, and content on topics such as business plans, SWOT analysis, marketing plans, startup costs, cash flow, and competitor analysis.[25] Edward Jones offers a small business content playlist with topics such as how to read a small business financial statement and how to obtain and utilize business credit.[26]

Financial education is most effective when it is active, utilizing timeliness, relevance, and engagement to empower small business owners to make informed decisions. By applying a "just-in-time" approach, banks and credit unions can provide financial education when it is most relevant, most needed, and most likely to make a meaningful impact.

03 Personalize Engagement

Banks and credit unions can use insights to recommend the right financial products based on learning progress. Having information, such as the industry in which the business operates, the number of employees, revenue, and location, enables the financial institution to target educational content to the end user better.

Being able to personalize tools, calculators, and content to the individual business owner's needs creates stronger engagement. For example, Everfi's Starting Business Pathway tool estimates startup costs for businesses based on their type, size, and geography. This type of personalization can be a highly effective tool for engaging entrepreneurs and small business owners.

> **"Many aren't even aware of how much they'll need in startup costs. It helps if you can educate them on that. Then, with calculators, they can estimate the loan they'll need, the payments, and how much interest they will pay."**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Beck notes that a high level of personalization helps demonstrate the bank is looking out for the needs of the small business owner and can give entrepreneurs the confidence to take the next step, whether starting the business or applying for a loan. "Or it may entice them to simply meet with someone from the bank and take them on that journey. When they do, the bank officer will have a better idea of what they're looking to do and what kind of loan they may need," he says.

As an outsized portion of small businesses is from the Spanish-speaking community, banks and credit unions should offer bilingual educational small business content.

04 Community Partnerships and CSR Initiatives

Banks and credit unions can also deploy financial education in local business ecosystems to expand financial inclusion and reach out to a broader audience. One great way to bridge the physical and digital worlds is with QR codes that link directly to the financial institutions' small business education portal or select modules. This enables bank staff to take digitally based financial education straight to the community.

> **“That really helps deliver the right message at the right time out in the community. It meets entrepreneurs right at the moment when they are thinking about something.”**
>
> **Scott Beck**
> Director of Product Management, Financial Education, Everfi

Combining education with pre-packaged workshops and scripts also enables non-experts to bring that education to the community. “Not every bank outreach person will be a financial expert in a particular topic. These workshops empower them in the community, particularly in underserved communities,” says Beck.

How Everfi's Achieve Empowers Financial Institutions and Small Businesses

As small business lending is estimated to reach more than $7.2 trillion within the next seven years, banks and credit unions can't afford to let the opportunity pass. They must act now to support small business success and to compete against fintech companies that are rapidly siphoning away accounts and customers.

In addition to retaining accounts and attracting new ones, financial institutions can help grow their own opportunities by increasing the revenues of small businesses they support.

The SBA reports that companies with access to financial education grew revenues by 15% more than those without. This growth led to an increased demand for financial products and services.

A partner can be a valuable asset when instituting small business education. It can help create the best strategy, identify the right educational content, and offer the infrastructure for delivery and performance tracking. Everfi partners with hundreds of banks and credit unions to build healthy relationships with small businesses through Everfi Achieve and Engage workshops. This is achieved through small business education, directly targeting the owners, and by offering financial products as an HR benefit to small business employees, similar to a financial wellness benefit. Achieve is an interactive, mobile-first financial education solution that enables financial institutions to deliver personalized financial education directly to customers, wherever they are.

Achieve offers a newly released "Starting a Business" pathway designed to support small business owners as they navigate startup costs, credit readiness, account selection, and early-stage decision-making. This goal-based experience includes interactive tools, short-form education, checklists, and calculators. It also provides opportunities to highlight relevant banking products through custom calls to action.

Achieve provides:

01 A scalable, digital-first platform with interactive content tailored to small business owners. Topics include cash flow management, credit, loan applications, and more. It is mobile-friendly and accessible anytime.

02 Data-driven insights to help financial institutions measure engagement, learning outcomes, and product readiness.

03 Proven engagement and business impact, with higher customer activation, stronger financial behaviors, and increased brand loyalty in small business communities.

About Everfi

Since 2008, Everfi has connected businesses to communities by providing essential education that builds trust and drives measurable impact. Using digital and offline resources, the company delivers personal finance and life skills education to millions of learners annually in both K-12 schools and broader communities. Today, hundreds of organizations, including financial institutions, professional sports leagues, and healthcare systems, rely on Everfi to deliver measurable outcomes that benefit learners and drive business impact. To learn more about Everfi, please visit everfi.com or follow us on Facebook, Instagram, LinkedIn, or X/Twitter.

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