



Innovation and Technology in Small Business Lending

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EQUIFAX

"Digitization Of
Small Business
Lending Helps Fill
The Lending
Gap"

Feb 27, 2025

The New York Times

"Building Trust
With AI in Small-
Business
Lending"

April 7, 2025

"How New
Technology Can
Unlock Possibilities
for Small Business
Lending"

Sep 21, 2025

Forbes

"How A.I. Can
Help Start Small
Businesses"

Aug 19, 2024

WSJ





Paper 1:

U.S. Banks' Artificial Intelligence and Small Business Lending: Evidence from the Census Bureau's Technology Survey

Question:

Does AI use spur small business lending? If so, how/when?

Question:

Can AI approximate/intuit soft information?





Key Findings:

- ➔ AI use increases lending, but only to distant small businesses
- ➔ Findings are more pronounced in poorer areas or areas with fewer banks
- ➔ Borrowers appear to be creditworthy
- ➔ AI use is more prevalent in larger banks





Implications/Food for Thought

- ➔ Local banks are still important!
- ➔ AI can facilitate the use of hard information in lending, but does not seem to replace soft information lending
- ➔ AI use does not increase overall small business lending for a given bank
- ➔ What are the implications of AI for CRA requirements?





Paper 2:

Regulation Meets Technology: Evolution of Small Business Lending in Underserved Areas since 2007

Question:

How has small business lending evolved in the past 20 years?

Question:

What is the role of regulation in the technological advantages of nonbank lenders?





Key Findings:

- ➔ Fintechs have gained substantial market share since 2007 at the expense of large banks
- ➔ Large banks did not retreat more in underserved areas when faced with tougher regulation
- ➔ Pre-existing relationships with small banks significantly increased odds of receiving PPP funds
- ➔ Banks, finance companies, and fintechs concentrate in different industries and collateral types





Implications/Food for Thought

- Local banks are still important!
- Future public programs aimed at small businesses should take this evolving landscape into account
- Alternative lenders are not present in many counties- why?
- What are the implications for CRA requirements?





Paper 3:

Data as Collateral: Open Banking for Small Business Lending

Question:

How does open access banking affect access to credit for small businesses?





Key Findings:

- ➔ Open banking facilitates the pledging of assets like AR and inventory
- ➔ Greater ability to pledge assets improves access to credit
- ➔ Effects are especially important for opaque businesses, such as young firms





Implications/Food for Thought

- ➔ Open banking reduces banks' information monopoly
- ➔ How does this affect the incentives of a bank to invest in a relationship?
- ➔ How would this effect differ for small banks and their customers?
- ➔ Local banks are still important!





My Big Takeaway...

The processing of hard information is easier than ever. However, technology is still not able to completely intuit/process soft information. Therefore...

Local banks are still important!





Questions/Comments?

