

MARCH/2023

Small Business Bank Loan Approvals Dropped Dramatically in March: Biz2Credit Study

Biz2Credit Small Business Lending Index finds
funding requests at banks declined after Silicon
Valley Bank's collapse; borrowers had more
success with non-bank lenders.



Big Banks

Small business loan approval percentages at big banks slipped again, falling from 14.2% in February to 13.8% in March, according to the latest Biz2Credit Small Business Lending Index™ released today. This marks is the lowest figure for big banks since July 2021.

Total nonfarm payroll employment rose by 236,000 in March, and the unemployment rate changed little at 3.5%, according to the [Jobs Report](#) released by the Bureau of Labor Statistics on Friday, April 7. Job gains continued in leisure and hospitality, government, professional and business services, and health care. Many of these jobs are created by small businesses.

To determine its Small Business Lending Index, Biz2Credit analyzed loan requests from companies in operation for more than two years with credit scores above 680. The results are based on primary data submitted by more than 1,000 small business owners who applied for funding on Biz2Credit's platform. To view the March 2023 Index, [click here](#)

Monthly
Comparison

-0.4%

13.8%

March 2023

14.2%

FeFebruary 2023

Yearly
Comparison

-1.1%

13.8%

March 2023

14.9%

March 2022

"The [collapse of Silicon Valley Bank](#) (SVB) shook the confidence of small business owners. Many of them rushed to take their deposits out of small and midsize banks. That development hurt the banks' ability to lend. Thus, it has become even harder for companies to secure capital," said Rohit Arora, CEO of [Biz2Credit](#), one of the nation's leading experts in small business finance and fintech.

Arora noted that there was a big difference in the approval rates at banks during the first ten days before the Silicon Valley Bank (SVB) and Signature Bank collapses and the final days of March, when approvals plummeted as businesses pulled deposits from small and mid-sized banks.

Rohit Arora
Biz2Credit CEO



Small Banks

Approval rates of business loan applications at small banks also dropped more than two percentage points from February's figure of 21.3% to 19.1% in March.

Monthly
Comparison

-2.2%

19.1%

March 2023

21.3%

February 2023

Yearly
Comparison

-1.5%

19.1%

March 2023

20.6%

March 2022



Institutional Lenders

Institutional investors granted 26.5% of funding requests, up from 26.3% in February.

Monthly
Comparison

+0.2%

26.5%

March 2023

26.3%

February 2023

Yearly
Comparison

+1.2%

26.5%

March 2023

25.3%

March 2022



Alternative Lenders

Alternative lenders climbed to 28.4% in March, up from 27.9% in February.

Monthly
Comparison

+0.5%

28.4%

March 2023

27.9%

February 2023

Yearly
Comparison

+1.8%

28.4%

March 2023

26.6%

March 2022

"Even though the large majority of small businesses did not lose their deposits, their faith in the banking system became shaken," Arora added. "Many SMBs moved their money out of smaller banks when they had amounts in excess of the \$250,000 FDIC insurance threshold. They put their money into bigger banks."

"Although small business owners won't get the level of service at big banks that they received at smaller banks, they will choose safety over service every time," he said. "While the worst fears of small business owners may not be warranted, their confidence in the banking system has not been fully restored -- and it may not return for a while. This hurts lending, and it is why small businesses are now experiencing a credit crunch."

Rohit Arora
Biz2Credit CEO



Credit Unions

Credit unions reversed a year-long decline in approval percentages by rising to 20.2% in March from 20.0% in February.

Monthly
Comparison

+0.2%

20.2%

March 2023

20.0%

February 2023

Yearly
Comparison

-0.4%

20.2%

March 2023

20.6%

March 2022