



# Small Business Trends 2025: Financing, Economy, and AI

Get unique insights into what nearly 150 small business owners have to say about the challenges they've faced in the past year, small business lending trends, and their economic outlook for 2026.

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# Welcome

## To our small business community,

Every year, the Credibly team conducts a comprehensive research survey of small business owners across the United States.

In June 2025, we once again set out to better understand the rapid changes, challenges, and breakthroughs encountered by businesses in their journey for growth and financing.

This year's report examines the input of 144 verified business owners, offering a detailed look into their experiences in accessing capital amid technological and economic shifts. You'll find first-hand advice from these small business owners and other thought leaders in the financial sector, as we analyze the shifting environment reflected in our data.

The Credibly Research Report is an ongoing commitment to the businesses that continue to inspire us. As a small business financing partner, we support your endeavors in an ever-changing landscape.

Small business owners are, and will continue to be, the most resilient variable. In a world full of change, they are the one constant.

**Ryan Rosett**  
Founder & co-CEO



# Introduction

The U.S. economic landscape in 2025 presented complexity for many small businesses. As inflation impacted financial markets and innovations in artificial intelligence (AI) rapidly shifted, local business owners rapidly adapted.

The [U.S. Chamber of Commerce's](#) most recent 2025 Small Business Index cites inflation as a primary challenge, with increasing concerns for employee retention and supply chain issues, despite 72% still being confident in the health of their businesses.

This year introduced a shift in certainty surrounding macroeconomics, putting the small business sector at a crossroads of transformation, while maintaining optimistic momentum.

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## Economic Sentiment & Small Business Confidence

### The Duality of Optimism

When asked about their optimism regarding the state of the U.S. economy, respondents did not voice strong opinions. Respondents were prompted with the phrase "I am optimistic about the state of the U.S. economy right now" and asked to choose a number between 1 and 5, with 1 representing strongly disagree and 5 representing strongly agree.

With an average score of 2.8 out of 5.0, only 24% of the respondents expressed positive sentiments, while 41% disagreed or strongly disagreed, and 35% remained neutral.

The overall economic sentiment moved away from optimism compared to the 2024 results, where 30% of business owners agreed or strongly agreed.

The local economic outlook was met with higher optimism, with an average score of 3.2 out of 5.0. Sentiment toward the **local economy** was **consistent with 2024**, where **34%** of small business owners **agreed or strongly agreed** with the statement "**I am optimistic about the state of my local economy right now.**"

The distribution in **2025** showed that **32% of respondents agreed or strongly agreed**, 40% remained neutral, and 28% disagreed or strongly disagreed.

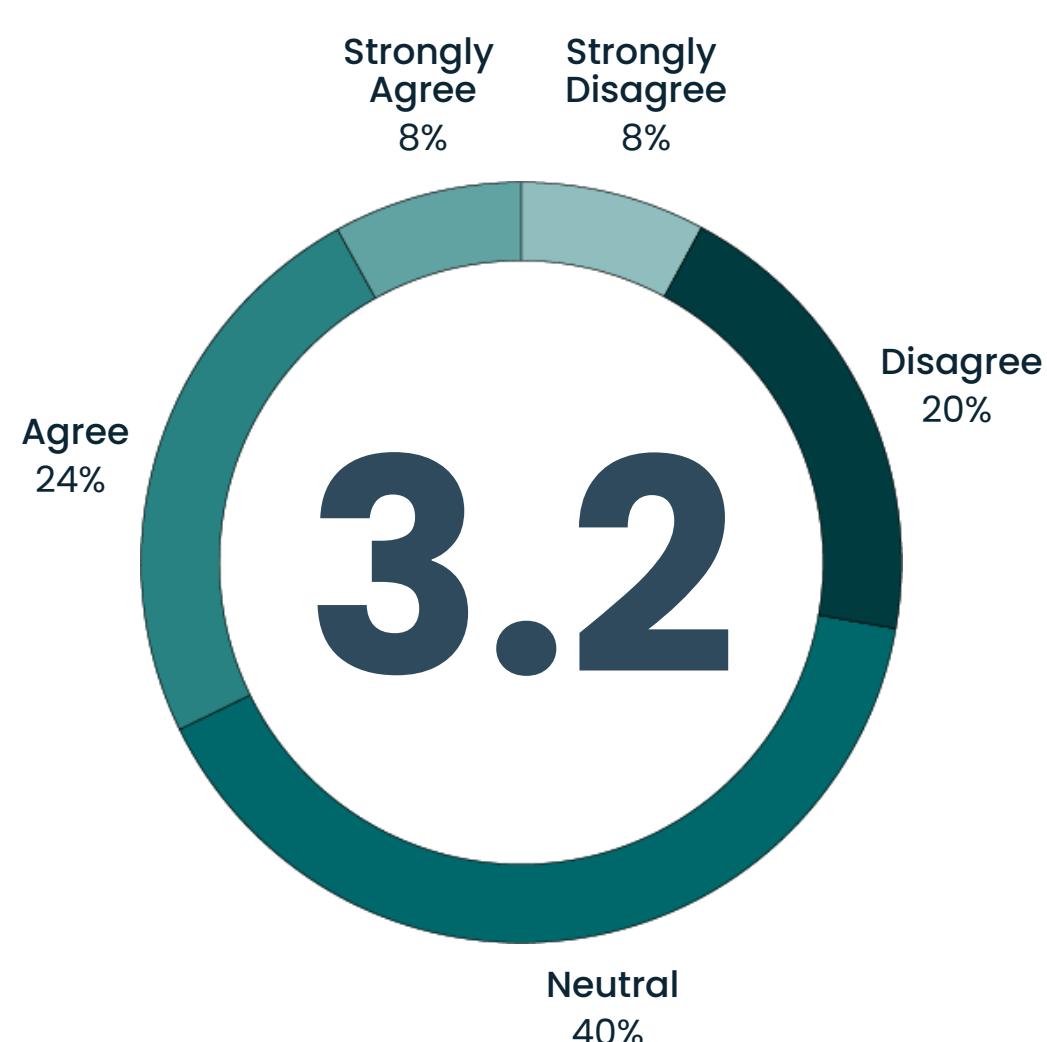
This gap between local and national optimism reflects a **stronger sense of agency** over immediate environments. The U.S. economy continued to present broader forces that sparked a shift in certainty, a common trend seen in last year's report.

This higher level of sensitivity is further demonstrated in the finding that **the state of the economy** "greatly influences" **financing decisions**, with an average score of 3.9 out of 5.0. A substantial **68% of respondents agreed or strongly agreed** with this statement.

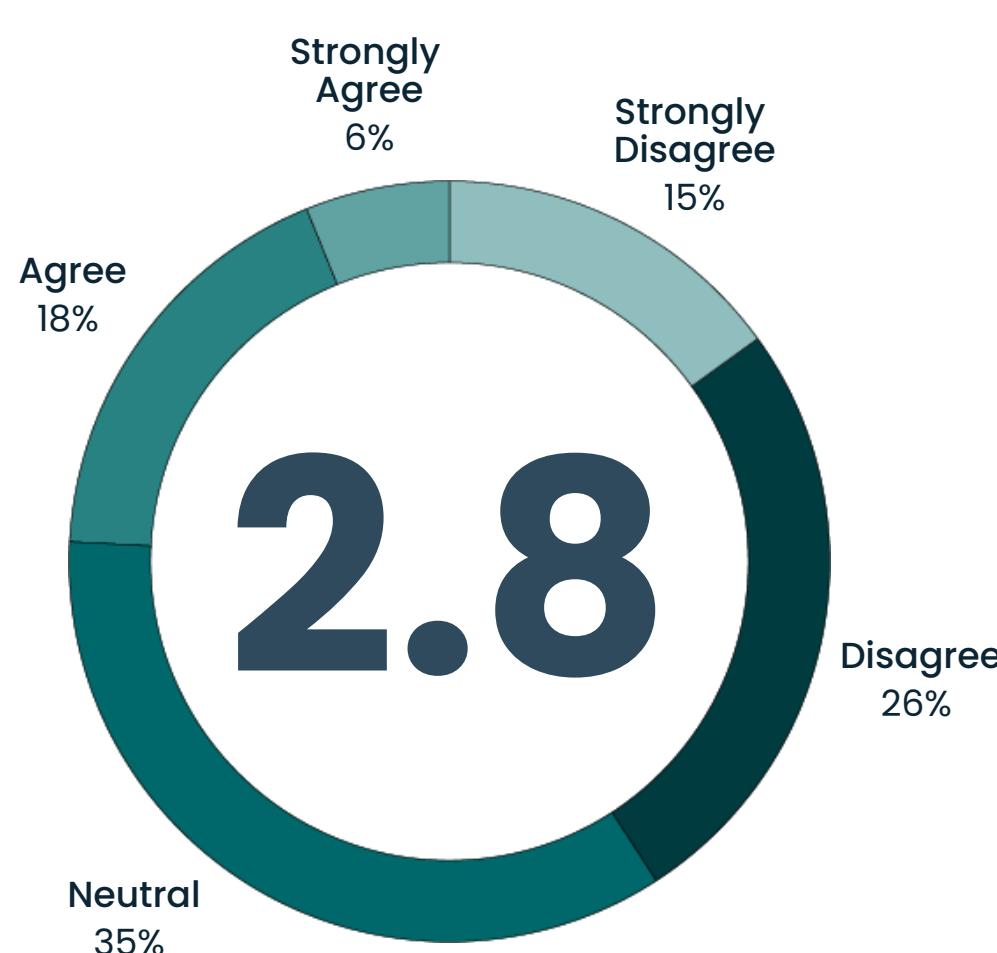
The following table provides a clear view of the economic sentiment distribution captured by the survey:

## Economic Sentiment Distribution

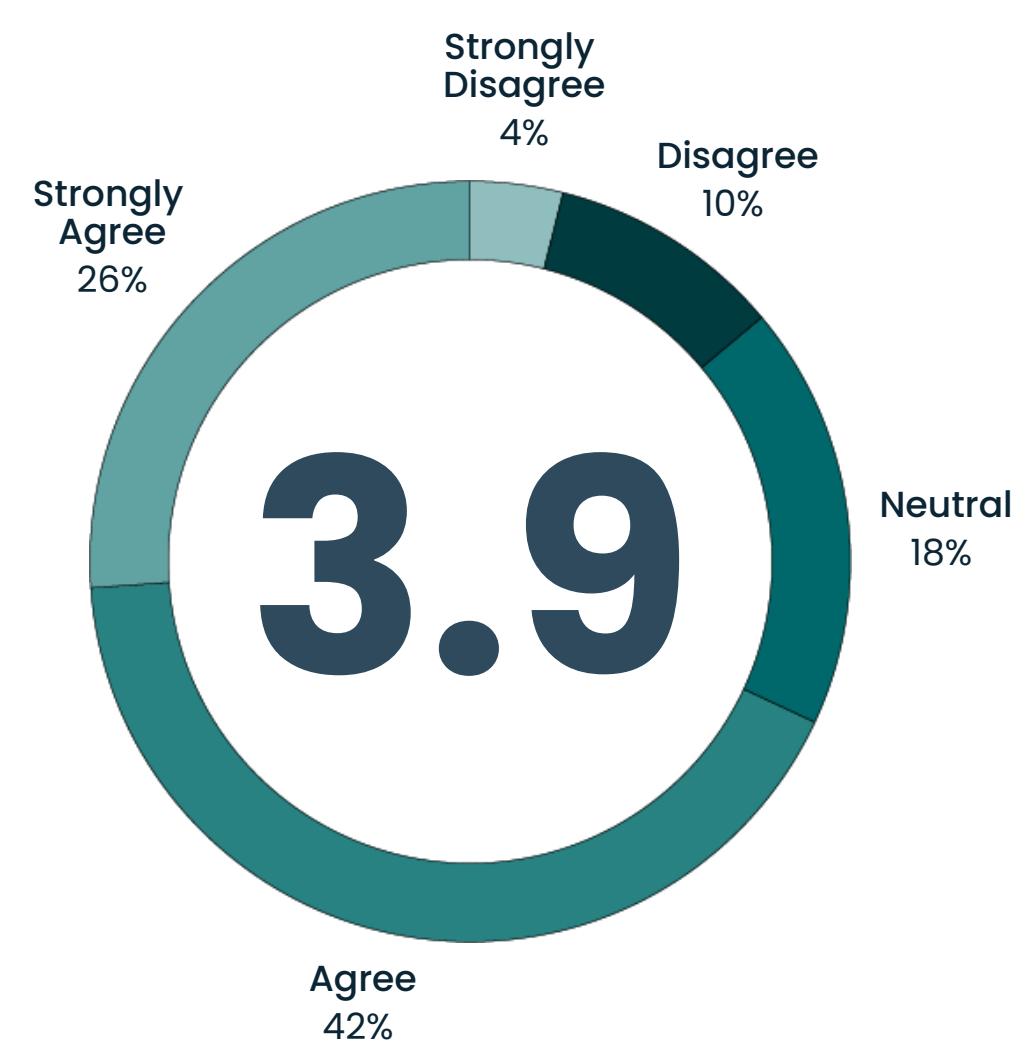
### Local Economy Optimism



### U.S. Economy Optimism

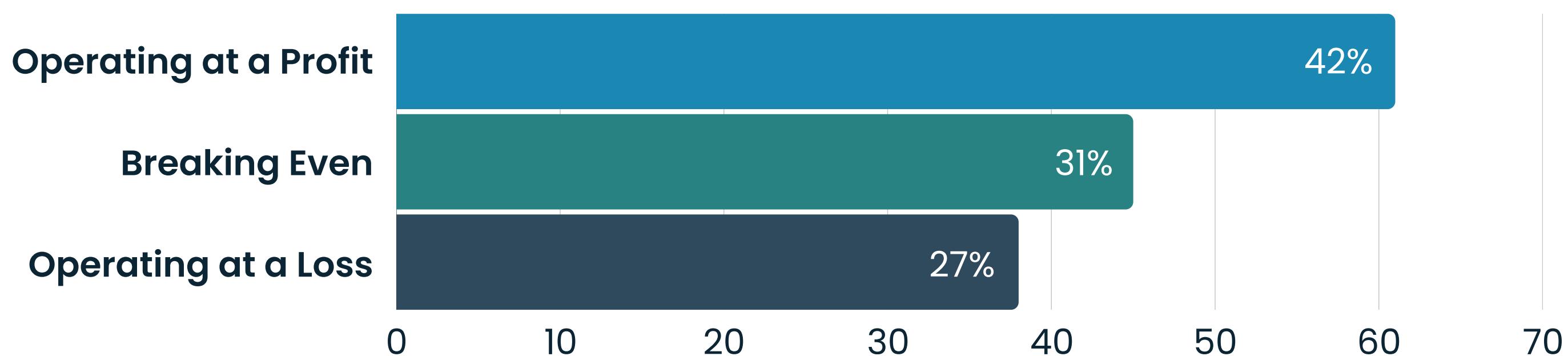


### Economy Influences Financing



## Business Performance and Expectations

### Current Business Performance Status



Business profitability was relatively evenly distributed: 42% of business owners stated they were operating at a profit, 31% were breaking even, and 27% reported operating at a loss.

Revenue expectations for the next 12 months present a more cautiously optimistic outlook, though with significant variation. Among our respondents, 38% expect revenue growth, 29% anticipate stable revenues, 24% expect modest declines, and 9% fear significant losses.

This mixed outlook is a notable drop compared to the 70% of small businesses expecting to grow in 2024.

#### Business Growth Expectations Have Declined

70%

38%

2024 Growth Expectation      2025 Growth Expectation

Though business performance has not substantially decreased in actuality, fiscal concerns remain a cause of uncertainty for small business expectations in the year ahead. This data reinforces the ongoing contrast of small business optimism and resilience despite broader shifts in uncertainty.

"Recent trends in the broader Small and Medium-sized Business (SMB) space reveal a complex picture where a drop in optimism for growth is largely driven by a mix of persistent financial pressures and an uncertain economic climate. While many small businesses remain resilient, concerns over inflation and a tightening credit market are leading them to prioritize stability over aggressive expansion. This shift in sentiment highlights that even as the economy shows signs of improvement, small business owners are still navigating significant headwinds that directly impact their ability to invest, hire, and pursue the same level of growth as in previous years."

**Ryan Rosett**

Founder & co-CEO, Credibly

# Challenges

The financing landscape for small businesses continues to transform, shifting away from traditional banking routes to alternative options.

As flexible, digital financing routes continue to emerge, banks are beginning to fall from their top rank as a primary funding source. This trend is not situational, but rather a fundamental realignment of the industry, motivated by the immediate needs of business owners.

## The Accelerated Need for Flexibility

Our survey reinforces a definitive shift in the sources of capital that businesses are considering. Online lenders have surpassed traditional banks in consideration, with 55% of respondents looking to them for financing in the past year, compared to 44% who considered banks. This trend reflects the broader market evolution documented by Canopy, which reports that "the digital lending market is expected to be worth \$20.5 billion by 2026, about double what it was in 2021" (Canopy, 2025).

When examining the specific challenges businesses face when looking to secure capital, high interest rates and unfavorable terms are the top-ranked challenges, with an average rank of 2.1.

The second most significant challenge is the lengthy application process, with an average rank of 2.8. This finding aligns with Federal Reserve Bank of Kansas City data showing "small businesses, especially those with working capital needs, don't always have 90 days to wait for a loan to come in" (Federal Reserve Bank of Kansas City, 2025).

The time sensitivity of financing needs, particularly for operational expenses, makes lengthy approval processes particularly problematic.

When choosing a financing provider, the importance of interest rates and fees (average rank 1.9) and speed of funding (average rank 2.4) demonstrates a clear shift in priorities. While the 2024 report noted that businesses valued the ability to communicate with a real person, the 2025 data shows a more pragmatic approach where economic factors, such as cost and speed, take precedence.

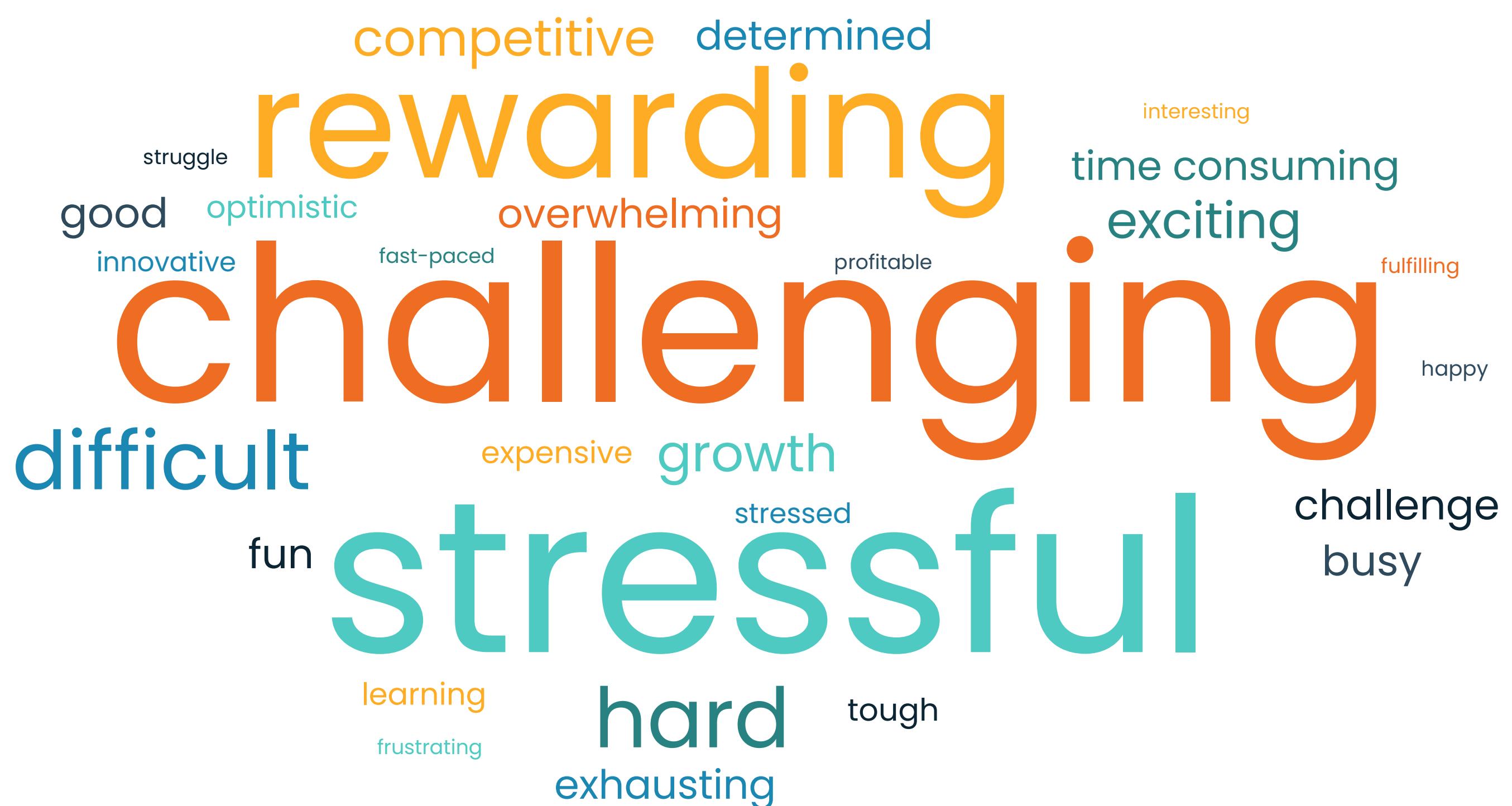
The demand for specific products also highlights a clear need for flexible financing. Lines of credit emerged as the most sought-after product at 47%, followed closely by short-term loans at 45%.

**"Cash is king. Always have 6 months of operating expenses saved."**

**- Professional Services, Online Products**

# How are small business owners feeling about running a business in 2025?

We asked our respondents to describe their experience as a small business owner in three words.



## The Reality of the Capital Gap

While demand for capital is high, the reality of financing approval presents a sobering picture. Our survey reveals significant gaps between the financing sought and the financing received, particularly for the most desired products. For lines of credit, 47% of businesses applied, but only 13% were approved, representing a staggering 34% gap. Short-term loans, while still facing a considerable gap, had a more favorable approval rate of 31% against a 45% application rate.

This approval gap reflects broader market challenges, as the Federal Reserve found that "41% of applicants received all the financing they sought, 36% received just some, and 24% received none" (Federal Reserve, 2025).

### Financing Products – Application vs. Approval Rates

Product Type	Applied (%)	Approved (%)	Gap (%)
Short-term Loan	45	31	-14
Line of Credit	47	13	-34
Long-term Loan	40	8	-31
Credit Card	33	17	-16
Merchant Cash Advance	22	16	-6
Equipment Financing	17	4	-13

The barriers to accessing capital, as shown in the data, provide a comprehensive insight into potential challenges facing small businesses. Credit score emerged as the top barrier at 10%, followed by insufficient revenue at 6%, and the cost of capital at 4%.

The 2024 report provided additional context, revealing that of those who did not apply for financing, 44% opted out of the application process because they did not think they would qualify. A significant segment of the market self-selects out of the application process due to an anticipated decline, further exacerbating the capital gap.

## Overcoming Challenges for Growth

Even with ongoing challenges, small businesses continue to invest strategically in their future operations. The findings ranked marketing and consumer acquisition as a top priority for investment, followed by technology and automation, and then product and service expansion. The top selections focused on growth-oriented investments, underscoring a strategy-driven focus on expansion.

The priorities align with the data of the Federal Reserve, indicating "rising costs of goods, services, and/or wages remained the most common financial challenge, with 75% of firms citing this issue," which consequently influences operational and strategic decisions (Federal Reserve, 2025).

**"Never stop learning and adapting. The market changes daily and if you're not changing with it, you're dying."**

**– Owner Advice**



# The New Age of AI

The new wave of artificial intelligence revolution has begun to infiltrate the small business sector, with our survey noting significant adoption of AI by business owners. The data reveals a population currently exploring AI implementation, though they face a knowledge gap in this emerging technology.

This trajectory aligns with national trends, as BizBuySell's Insight Report found AI use by small business owners nearly doubled over 18 months from 2023 to 2024 (BizBuySell, 2025).

## 69.4% of respondents are either using or planning to use AI.

Survey results in 2025 display a three-way split in AI usage by small business owners: 36% are currently using AI, 33% plan to adopt it, and 31% are not yet engaged.

The areas of AI implementation reveal a strategic, self-driven approach. Marketing and advertising emerged as the leading application area at 37%, followed by customer service and support at 29%.

Option	Count	Percentage of Respondents (%)
Marketing & Advertising	53	77
Customer Service	32	46
Business Analytics or Reporting	30	44
Product Development	20	29
Financial Forecasting/Bookkeeping	15	22
Inventory/Supply Chain Management	15	22
Hiring & Recruiting	8	12
Not Sure Yet	6	9
Other (Please Specify)	2	3

This concentration in customer-facing functions reflects both the expansion of user-friendly AI tools and a need for solutions that offer immediate, measurable benefits without a strong technical background. Small businesses are discovering a proven entry point into a new technology and an eagerness to adapt.





## The Real Barriers to AI Integration

Despite the growing wave of AI, business owners are facing barriers to implementation. Results illustrated a lack of knowledge or expertise as the primary challenge, impacting 29% of respondents.

Broader market research supports this newfound unfamiliarity, with 42% of small businesses stating they lack access to resources and expertise needed to successfully deploy this new tech in a [2025 study by Goldman Sachs](#).

The second top barrier, a lack of time or resources (25%), highlights the operational constraints facing small businesses, where daily tasks often take precedence over strategic technology initiatives.

These barriers are particularly relevant when considering how businesses are exploring AI. The prevalence of self-directed learning through online research (43%) and free trials (38%) suggests that small businesses are taking a cautious, low-cost, and independent approach to technology exploration.

**"Small businesses aren't lacking ambition when it comes to AI—they're lacking the resources and expertise to make it real. The fact that so many are turning to self-directed learning and free trials shows both the hunger and the hurdles."**

**Minyang Jiang**  
Chief Strategy Officer, Credibly

## Industry Priorities in AI Adoption

Industry-specific analysis reveals significant disparities in AI adoption. Professional services firms show the highest adoption rates, with 72% either using or planning to use AI tools. Retail businesses follow at 64%, while food and beverage establishments lag significantly at 38%. This disparity reflects both the nature of work in different industries and the availability of relevant AI solutions.

A business's primary concerns also change depending on how much revenue it generates:

### Top Challenge by Revenue Tier

Revenue Tier	Primary Challenge	Secondary Challenge
Under \$5K/month	Customer acquisition	Cash flow management
\$5K-\$15K/month	Rising operational costs	Access to capital
\$15K-\$50K/month	Scaling operations	Technology adoption
\$50K-\$100K/month	Market competition	Talent acquisition
Over \$100K/month	Supply chain/inflation	Regulatory compliance





## Capital Access as a Catalyst for Confidence

A strong correlation emerges between successful financing experiences and economic optimism. Businesses that received full financing approval showed average optimism scores of 3.8/5.0 for the local economy and 3.4/5.0 for the national economy, compared to 2.6/5.0 and 2.2/5.0, respectively, for those denied financing.

## Small business owners with access to capital displayed a higher level of optimism.

This relationship suggests that access to capital is not only a reaction to financial survival but also a powerful catalyst and financial solution, impacting business confidence.

When a business accesses capital, it reinforces viability, supports growth as a resource, and offers a solution to a primary source of stress, creating a positive potential feedback loop of increased confidence and strategic investment.

**"Your network is your net worth. Build relationships before you need them."**

– Owner Advice

# Advice from Fellow Small Business Owners

The convergence of our survey data with national trends provides clear strategic directions for navigating the current economic landscape.

We also asked small business owners for their advice to others in the community, and over 70% responded with their words of direct encouragement.

## **"Don't be afraid to ask for help. No one succeeds alone."**

**Diversify and Adapt:** Business owners should "Be prepared to pivot when necessary," and as uncertainty arises, "Have capital lined up ahead of time to prepare for delays in payments from business." Our respondents also pointed out the importance of diversifying their financing approach beyond traditional banking relationships, advising against having only "one source of income."

## **"Embrace change, don't fight it."**

**Prepare Proactively:** "Save money for the slow times," ensuring you are working "IN your business and ON your business." To prepare for growth with business financing, proactively gathering documentation was a recurring piece of advice from small business owners to remain organized and streamline application processes.

## **"Focus on profitability, not just revenue. A smaller profitable business beats a larger losing one every time."**

**Build a Strong Financial Profile:** With credit score being the top barrier to capital, proactive credit management and maintaining a strong financial profile are essential for seeking financing. One business owner urged, "Keep expenses low and cash reserves high." Another advised to "Focus on customer retention, not just acquisition."

## **"Innovation is survival."**

**Bridge the Knowledge Gap:** With one business owner noting, "Systems and processes are everything," and another pressing to "Stay current with technology," it's clear that utilizing new tech is not just an opportunity, but a strategic benefit for small businesses.

## **"Remember why you started."**

Despite some small business owners describing their experiences as "challenging" and "stressful," many of our respondents continue to call out the "rewarding" aspects of their journey.

Their perseverance, captured in words like "determined" and "optimistic," reveals the indomitable spirit that defines entrepreneurship.

Their success in navigating current challenges—access to capital, technology adoption, and economic uncertainty throughout the U.S.—continues to be a breath of fresh air of perseverance in times of rapid change.

## **"Stay focused, and don't give up."**

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