



Empowering Small and Mid-sized Business Growth by Unleashing Its Data

The Rise of Open Banking and the Importance of Cybersecurity amidst Cost Uncertainty



For small business owners, today's business is anything but usual. Markets, consumers, and realities are ever-changing, meaning that small business owners have to react quickly, sometimes changing their business models at the core. And those reactions come with a cost. Inflation, the rising cost of goods and PPE (personal protective equipment) purchases represent the largest challenges facing small business owners' bottom lines today. As they navigate this changing world, many are seeking solutions for agility and resilience powered by technology.

Open banking represents one such opportunity space. It is a huge paradigm shift for small business owners, empowering them to be smarter both when making business decisions and when managing their finances. Rather than going it alone, small business owners view open banking as an opportunity for partnership in their ventures as they continue to grow.

With growth comes new challenges for small business owners, almost all of them digital. A successful business now represents a cybersecurity target, an overwhelming amount of data with little knowledge of how to protect it and more inventory to manage. For small business owners, digital problems call for digital solutions, especially when it comes to protecting their business. The buzz around the proverbial, digital water cooler is about finding solutions, and small business owners are all ears right now.

Today represents a unique time for small business owners with a society still unsure of "normal." However, rising costs and cybersecurity threats are here to stay. As small business owners look toward the future, their path forward is open to partners that can help with obvious hurdles and pragmatic solutions.

CONTENTS

Understanding small business owners' realities and opportunities to help them optimize

#1

NAVIGATING COST UNCERTAINTY

Seeking allies for financial security amidst turbulence

#2

THE RISE OF OPEN BANKING

Empowering Main Street with its own financial data

#3

THE CYBERSECURITY IMPERATIVE

Proactively helping small businesses protect themselves





Navigating cost uncertainty

Small business owners are facing ongoing challenges in today's shifting landscape; from funding to inflation, costs are a top concern

RISING COSTS AMIDST FATIGUE & UNCERTAINTY

Small business owners are getting used to a new paradigm where business is anything but usual. Most have had to significantly pivot their businesses in some way or another – and those shifts come with costs. Whether it's the rising cost of goods, the infrastructure needed to implement new business models or simply purchasing mass quantities of PPE, small business owners across all industries and geographies are feeling the squeeze.

Inflation is their number one pain point, especially for those who work in high-volume, consumer-facing industries like restaurants and retail. Customer acquisition is also a pain point, especially for those who work in professional services. On the other hand, talent acquisition stands out as a challenge for sectors like medicine and agriculture.

Funding is an ongoing issue as a majority of small business owners have received a business loan (62%) and are looking for faster and easier access to capital for their business (85%).

Inflation is a top pain point as small business owners adapt to new realities

TOP BUSINESS PAIN POINTS

- #1 Keeping up with rising costs (47%) — Restaurant 53%
Retail 57%
- #2 Acquiring new customers (39%) — Professional services 49%
- #3 Hiring skilled employees (35%) — Doctors 42%
Farmers 44%
- #4 Managing operations (27%)
- #5 Access to capital/cash flow (25%) — LGBTQIA 30%
Tradespeople 33%

PIVOTING IS PRICEY

"It takes more money to shift and pivot, especially when sales are low and costs have exceptionally increased."

– Food retail company owner, Toronto



A majority of small business owners rely on loans as a lifeline...



Business credit cards are the **#1 way** small business owners are funding their businesses, followed by small business loans.



80% of small business owners have started using digital channels for loans within the last 2 years.



85% say, "I am looking for faster and easier access to capital for my business."

86% USA 83% CANADA



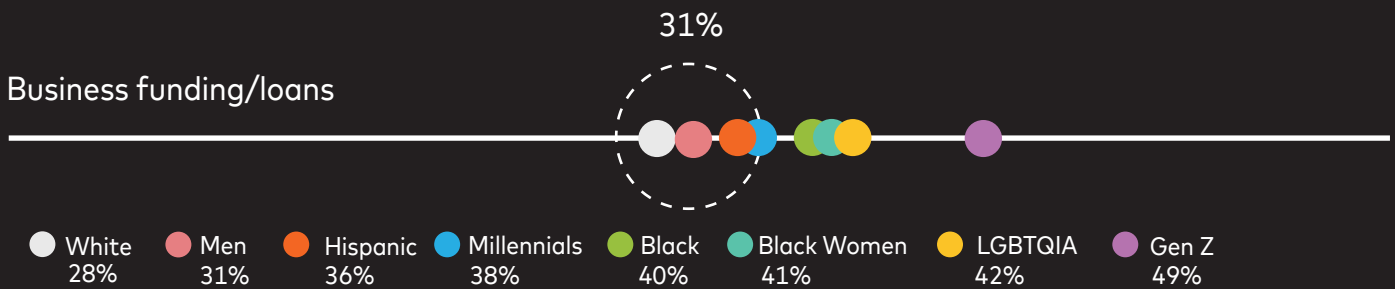
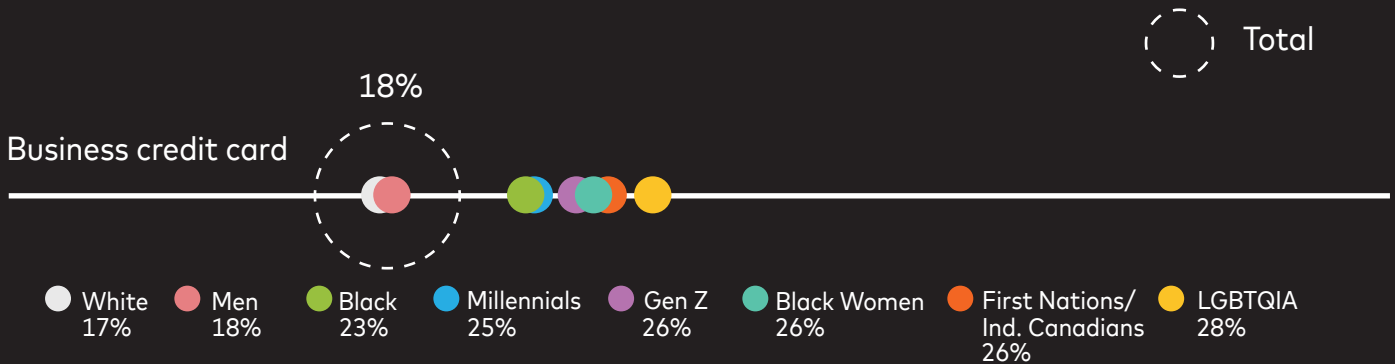
81% say, "I need a loan that is tailored to my business' specific needs."

82% USA 80% CANADA



...Yet many have experienced difficulty acquiring funding based on their race, age, and sexual orientation

Have been denied...



BIPOC-owned businesses are more likely than others to cite "access to capital" as a pain point.

74% 77% USA
71% CANADA

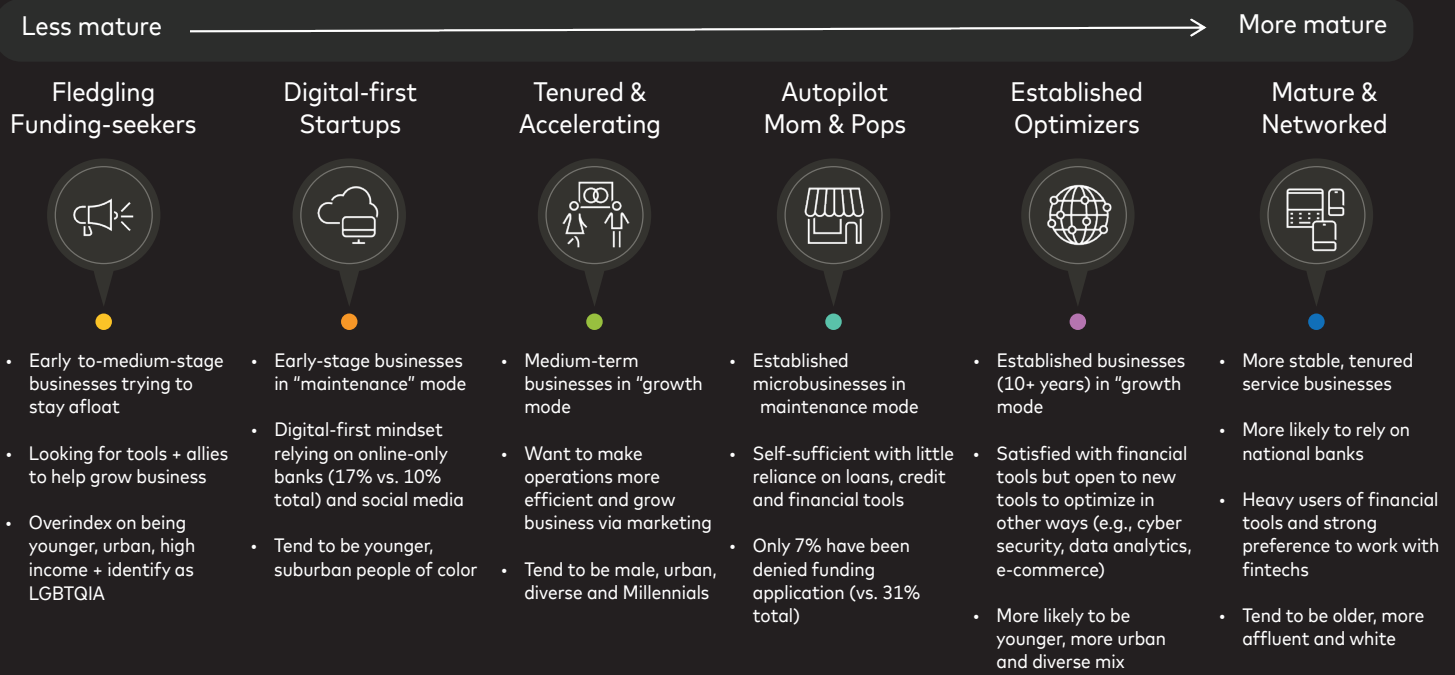
Would share business performance data with financial institutions if it meant decreased reliance on credit scores for loans.

Black 81% | Hispanic 81% | Millennials 80%

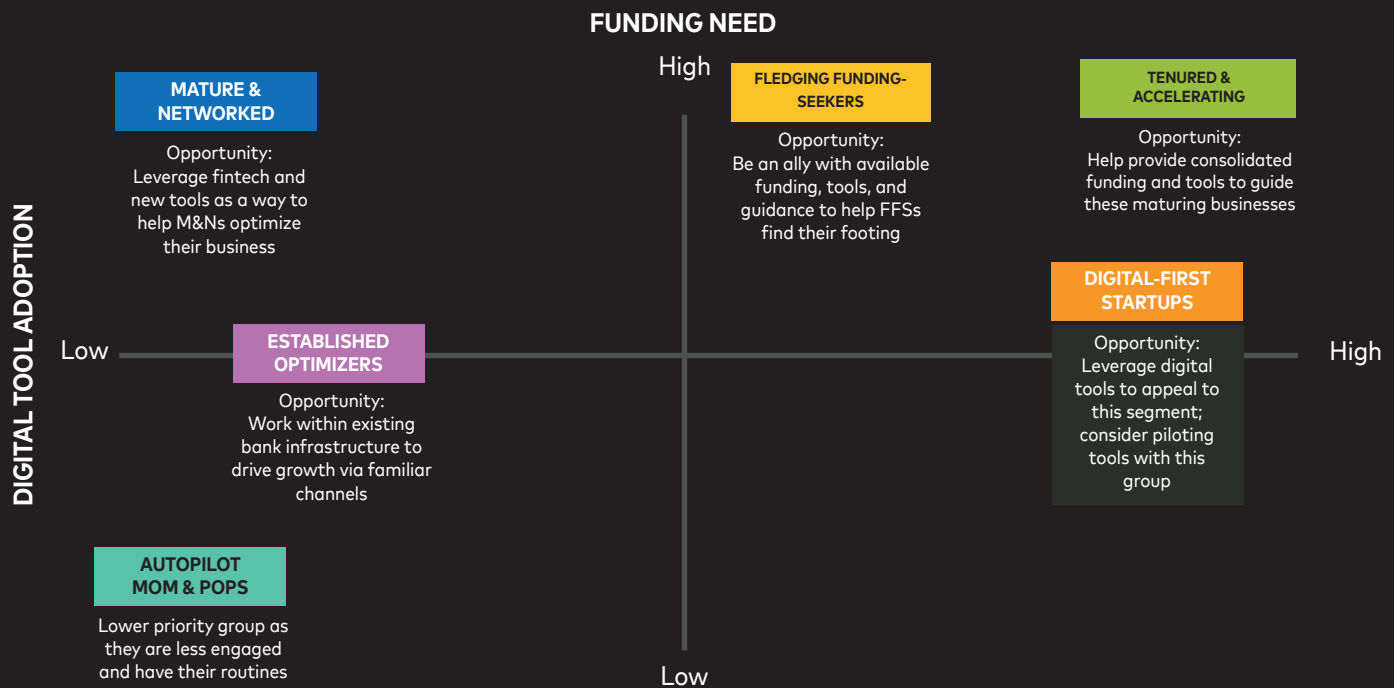
UNIQUE MINDSETS DRIVE UNIQUE NEEDS

All small business owners face common challenges, but our research revealed unique needs and mindsets across six key groups. Based on a variety of factors ranging from tenure to industry to company size, the data shows that reliance on technology and need for funding are core defining factors as one way to group small business owners.

KEY SMALL BUSINESS OWNER GROUPS



Opportunities to meet funding and technology mindsets of each group










CHALLENGES ALSO VARY BY INDUSTRY

In addition to mindset, industry is a strong indicator of unique small business owner needs. While restaurant owners cite business tenure as a primary reason for loan rejection, retailers are facing capital-intensive pivots and rising cybersecurity threats, creating

greater funding need. Rising costs especially plague farmers, manufacturers and those in professional services who are reliant on networking and struggle with customer acquisition with less face-to-face time available.

Unique challenges by industry

Restaurants	Retail	Farmers	Manufacturing	Professional services	Tradespeople	Doctors
						
<ul style="list-style-type: none"> • Receive loan rejections due to their industry and young tenure • Pivot frequently to accommodate changes in restrictions, staffing, health and safety, etc. • Prefer banks as partners for nearly all business solutions 	<ul style="list-style-type: none"> • Note how capital-intensive it is to pivot business strategy, especially with rising costs • Rely on fellow business owners to learn more about financial solutions • Includes range of business stages, from trying to get off the ground to established and ready to grow 	<ul style="list-style-type: none"> • Report top business difficulty is keeping up with rising costs, especially for equipment • Concerned about a variety of cyber security threats • Denied for loans/cards because of lack of credit history and low scores 	<ul style="list-style-type: none"> • Hit hard by supply chain shortages and rising product costs • Reliant on loans to support their businesses • Has the most cybersecurity incidents and considers themselves experts as a result 	<ul style="list-style-type: none"> • Report below-average financial health and report lead generation as their top challenge • Tend to work with large national banks but are open to new financial tools from fintechs • Concerned about potential data loss caused by cyber threats 	<ul style="list-style-type: none"> • Have difficulty providing competitive salaries/benefits to employees • Tend to own medium-term, medium-sized small businesses in growth mode, but report struggle in initially requiring funding for their businesses 	<ul style="list-style-type: none"> • Currently experience challenges with hiring skilled employees in their practices • Tend to work with large national banks and aren't as interested in new financial tools from fintechs • Inspired by a personal passion and need one-on-one relationships with patients

SMALL BUSINESS OWNERS ARE SEEKING ALLIES TO DRIVE GROWTH

Despite these challenges, small business owners remain optimistic and ready to grow. Nearly half (47%) say they are in growth mode with the remainder (42%) indicating they are in maintenance mode.

As small business owners scale, there are clear opportunities to become a partner for them with customized, agile funding solutions. More than 8 in 10 small business owners told us they are looking for "faster

and easier access to capital" (85%) and "loans that are tailored to their business' specific needs" (81%).

Whether it's with low interest loans, credit card options or micro-loans that allow them to adjust or expand their business, small business owners are hungry for solutions to navigate a shifting landscape. In fact, demand for such solutions has never been higher.



The rise of open banking

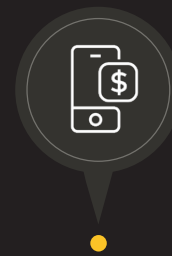
Small business owners are looking to technology for customized financial solutions that ease financial pain points of operating their businesses

DIGITAL CONNECTIVITY IS AT THE HEART OF SMALL BUSINESS PRODUCTIVITY

From e-commerce to remote team meetings, the pandemic has created a new army of digital experts when it comes to business operations. For many small business owners, this time has raised their financial IQ as 95% consider themselves heavy fintech users for both business and personal needs.

Small business owners now rely on technology for a variety of tasks to keep their businesses on track. Everyday tasks like banking, payments and budgeting are already taking place on digital platforms with interest in expanding to more sophisticated applications like loans and crowdfunding.

The growing use of fintech among small business owners is now giving rise to a new generation of business owners who are more inclined to embrace open banking for business.



95% consider themselves heavy fintech users for both personal and business needs.

Digital use for personal tasks is an indicator of business use

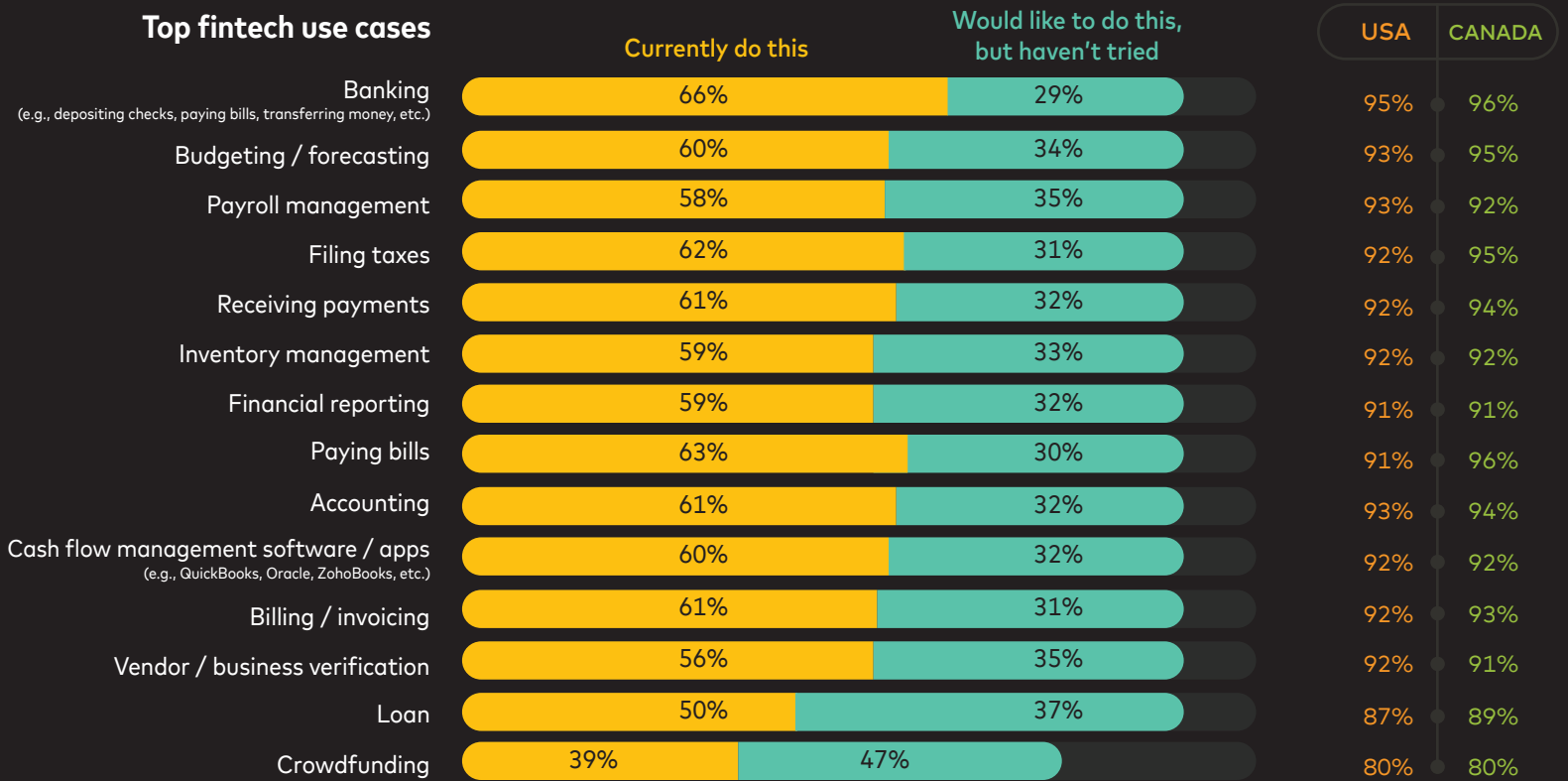
Small business owners are more likely to use digital tools for a variety of personal financial tasks, while micro-business owners stick to simple financial tasks. Similar patterns persist among digital use within their business.



Small business owners are looking to fintech to bring financial solutions that accelerate their business' digital transformation

NET: CURRENTLY + WOULD LIKE TO DO

Top fintech use cases



Women of color are more likely than others to say they would like to try new technologies when it comes to financial management.

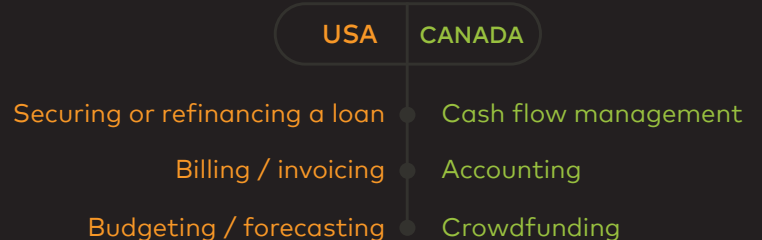
Top Drivers of Fintech Use

#1 Desire to make business more digital

#2 Convenience

#3 Automation

Accelerators of fintech usage in the last year



Open banking adoption is high as small business owners rely on technology to make financial operations more seamless



88% use data to better manage the finances of their business.

85% are looking for customized financial recommendations for their business from the use of their data.

96%

Currently link financial accounts

97% USA

95% CANADA

Top Open Banking Use Cases

More than 7 in 10 small business owners link financial accounts for the following tasks:

1. Banking
2. Billing / invoicing
3. Paying bills
4. Accounting
5. Receiving payments

Similar to fintech overall, open banking is making headway across a variety of financial needs, with more than 7 in 10 small business owners linking financial accounts for banking, invoicing, paying bills, accounting and receiving payments.

Small business owners are embracing open banking as a member of their team, with many viewing this linkage as a way to build strategic advantage. Eighty-five percent are looking for customized financial recommendations for their business from the use of their data. The data also shows that the number one reason they lean into open banking is to improve their decision-making process, followed by saving time and effort.

This adoption goes beyond their own business operations – many are leveraging open banking for

their customers as well. Payments are a driving use case as nearly 9 in 10 accept some form of digital payment from their customers, and a similar percentage use open banking-backed methods to accept payments.

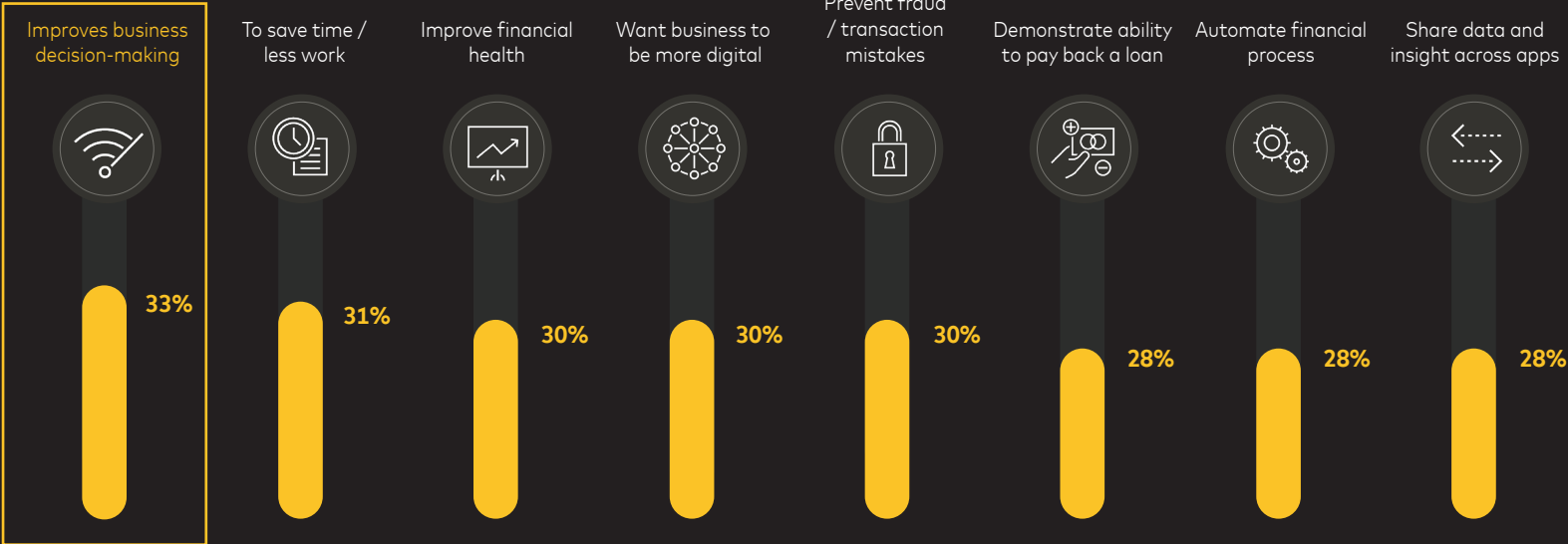
The top benefit of offering open banking for customers is the ability to accept payment more quickly. In addition to speeding up cash flow, small business owners lean into open banking to verify, secure and personalize transactions while meeting customer expectations in today's digital world.

Overall, open banking is seen as a driver of intelligence, insights and convenience for small business owners looking for a streamlined way to tackle critical business tasks.



Account connection is seen as a driver of intelligence, insights and convenience as a streamlined way to tackle critical business tasks

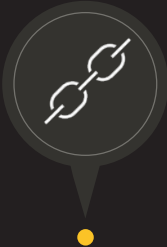
Reasons for linking financial accounts



Payments as Open Banking Entry Point



89% of small business owners accept some form of digital payment.



88% also utilize services where customers link their accounts.

Top benefits of customers linking their accounts

1. Allows me to receive payment sooner and faster
2. Ensures payment's success / reduce payment risk
3. Ensures transactions are safe
4. My customers expect me to offer more payment choices
5. Able to offer personalized payment methods for my customers

FINANCIAL MANAGEMENT AND ACCESS TO CAPITAL ARE KEY DRIVERS FOR GAINING TRUST AND OPEN BANKING ADOPTION

Despite rising fintech use, 94% of small business owners still encounter financial pain points and stress. Many report that access to capital, financial management and rising costs are stressful aspects of running a small business.

Small business owners are seeking allies that can help them with financial management to address these pain points. Majorities are looking for better ways to harness their business' data to get a holistic view, optimize financial management and inform business strategy.

They are open to receiving help as the majority say they trust others to help with financial planning for their business (63%) and are looking for custom recommendations for how to optimize financial management based on their business' data (85%).

SMALL BUSINESS OWNERS ARE LOOKING FOR ALLIES

86% 87% USA
84% CANADA

"I wish I could better use my business' financial data to make informed decisions."

85% 86% USA
82% CANADA

"I need a consolidated place to check in on the financial health of my business."

KEY CONSIDERATIONS: THE RISE OF OPEN BANKING

Unleash the power of data to drive innovation

Open banking is a platform for innovators to develop new and improved financial services and to deliver valuable intelligence and customized insights for small business owners. It puts small business owners in control and allows them to benefit from their financial data in order to tackle critical business tasks.

Innovative fintech solutions are being embraced by small businesses

The growing use of fintech among small business owners is now giving rise to a new generation who are more inclined to share their data through open banking. More than 9 in 10 are heavy users of fintech for both personal and business finances.

Addressing key pain points, like access to capital

Small business owners are looking for financial solutions customized to their needs and to ease the financial pain points of operating a small business. With this data, lenders can get a better picture of the small business in order to make better credit decisions through Mastercard's open banking platform.

Account-based payments are an emerging area

Open banking technology offers more ways to pay with greater speed, convenience and confidence. With better quality data and insights about the small business, the non-card payments journey can be smoother.





The cybersecurity imperative

Small business owners have become more vulnerable to cyber threats as they have become more successful online

SEEKING CYBERSECURITY SOPHISTICATION IN THE FACE OF RISING THREATS

There is an opportunity to connect with small business owners over tools that protect and support their businesses more broadly beyond financial needs. Our research shows that the top areas where small business owners are open to exploring new options are **cybersecurity, data analytics and inventory management**.

Digital security is particularly top-of-mind, as two-thirds of small business owners have experienced at least one threat, with phishing and malware being the most common.

Nearly three-quarters (74%) currently have digital security solutions implemented, but many are deploying only basic solutions like antivirus software and firewalls. Expertise also appears to be reactive, as those who have experienced a threat express both greater prioritization and greater expertise when it comes to digital security.

66% of small business owners have experienced at least one digital security threat.

61% USA
72% CANADA



Seeking security optimization:

85% would prefer to purchase digital security solutions in a bundle or package.

Small business owners are motivated to invest in security solutions out of a dual sense of personal responsibility and industry necessity

Reasons to purchase digital security solutions

#1	It's a personal priority for me as a business owner	57%
#2	It's essential to the type of business we run	49%
#3	A security issue / attack triggered the purchase	35%
#4	It came with other software / was a default setting	32%
#5	Saw advertisement / news / social media post about digital security solutions	29%



Education gap:

A top barrier to purchasing security solutions is not knowing which solutions to prioritize.

Small business owners typically purchase solutions from third-party providers, but trust payment networks most for reliable solutions

Sources where small business owners purchase solutions

- 51% Third-party providers
- 41% Payment networks
- 40% E-commerce businesses
- 36% Banks
- 22% Telcos
- 18% Fintechs

Trust to provide reliable solutions

- 86% Payment networks
- 83% Banks
- 80% Third-party providers
- 79% E-commerce businesses
- 75% Telcos
- 71% Fintechs

Small business owners rely on other small business owners/ small business organizations (30%) and financial institutions or fintechs (21%) for information about digital security tools.

Mastercard is one of the most trusted financial brands among small business owners to offer digital security solutions.

KEY CONSIDERATIONS: CYBERSECURITY IMPERATIVE

Digital security is on the radar, but still surface-level

Small business owners are interested in exploring new options for security, but most don't know what they don't know. There is an opportunity to help them become more proactive experts with knowledge and education. This can help them discover blind spots and become more informed on niche topics.

Emotional benefits drive digital security adoption

Small business owners are seeking not only the functional benefits of protection, but also the emotional peace of mind and fulfillment that comes from checking the box on security diligence. Lean into solutions that clearly deliver these benefits to onboard new customers, build trust and grow the relationship long-term.

Small business owners are seeking optimization

This group is seeking more holistic tools, such as subscriptions and bundles, that can streamline the process. One trusted source of information is other small business owners and organizations, indicating there is an opportunity to socialize security solutions through those channels.



Mastercard is committed to helping small business owners navigate today's shifting world

Snapshot of small business resources



OPEN BANKING

Data Access & Control

Platform for innovation that opens up a world of empowerment for small businesses by allowing them to benefit from their owner-permissioned financial data.

New Payment Experiences

Our real-time bank account verification, account data snapshots and predictive analytics can mitigate payment failures and fees, enable onboarding, maintain compliance and help lenders and businesses pay and get paid with confidence.

Access to Capital

Small business loans can be approved with confidence through a clear analysis of credits, debits and balances. Providing up to 24 months of rich cash flow attributes can give lenders better, more accurate insights to inform financial decision-making. New loans, leases, credit line increases and other needs can be issued with reduced risk of fraud or bad debt.

Business & Expense Management

Our "always on, always there" platform means maximum connection uptime and the highest quality data for insights into the financial health of a small business.

[Learn more](#)



CYBERSECURITY

Education

The Trust Center provides easy access to free online research, education, resources, and tools designed to help protect small business owners from cyber crime.

Visit the [Mastercard Trust Center](#)

Assessment

My Cyber Risk Powered by Risk Recon helps small businesses detect and monitor cyber risk across their organization's digital environment to proactively mitigate cyber threats before they can be exploited.

Protection

Mastercard has partnered with HSB Total Cyber Insurance to provide risk-based protection that helps insure small business owners against cyber threats, reducing financial losses due to business disruption.



EDUCATION

Resources for Recovery

The **Mastercard Main Street Resource Center** provides a curated collection of resources to help small business owners grow and protect their businesses during this period and into recovery.

Visit the [Resource Center](#)

Digital Doors

The **Mastercard Digital Doors** program provides access to e-commerce capabilities, educational resources and digital tools that empower small businesses looking to deepen their digital penetration and thrive online. The program includes articles and training on areas such as moving a business online, website design and accepting payments.

Visit [Digital Doors](#)

Small Business Research Methodology: This research is from a series of 3 quantitative surveys conducted online in the U.S. and Canada by The Harris Poll on behalf of Mastercard among over 3500 US and Canadian citizens ages 18 and older. All participants were screened for Small Business ownership, general credit card use, card use for business expenses, been in business 1+ years and make between \$50K - \$20MM per year in revenue with readable sample by gender, generation, affluence, ethnicity, card ownership, major bank relationships, and region.

Research was conducted between November 2021 and February 2022. For more information on the research, please contact Amanda Fraga, Dana Farber, or Alexis Nightingale.