



All Things Digital...To A Point

🔗 [lending](#) [business customers](#) [digital banking](#)

Summary: Big banks are 2x as likely to accept online small business lending applications, yet only 23% accept them at all. We dig into this and other details from the latest FDIC survey.

We don't have to tell community banks that everything digital is all the rage. Look no further than statistics compiled by HubSpot: Wordstream research finds using videos on landing pages increases conversions by 86%, and according to Google, 50% of mobile users visit stores within 24 hours when using local search.

In banking, digital has become more deeply embedded into lending than ever before. As such, many banks seem to be adding, extending, and upgrading online and mobile offerings to better compete.

But a [recent survey by the FDIC](#) suggests small business lending may not be all things digital just yet. It may indeed still be an area where a personal touch hasn't faded in importance. In fact, the survey found that a phone may be more effective than an online platform when it comes to taking a small business loan.

That small business loan wake-up call came up in the new FDIC Small Business Lending Survey, which was based on answers provided by 1,200 banks in 2016 and 2017. In exploring the ways small banks and large banks compete for small business borrowers, one of the topics was how small business borrowers apply for loans. The presumption was that big banks, with their more robust digital arsenals, were rapidly increasing the use of digital loan applications to better compete for small business customers against smaller local banks, which might not have the same resources to be as digitally sophisticated.

While it proved true that big banks made more use of online methods than community banks for small business loan applications, the share of loans accepted that way in big or smaller banks was dwarfed by other methods. Most business loan applications at all size banks are still taken at branches.

The survey found that big banks were about twice as likely as community banks to accept an online small business loan application. Surprisingly, only about 23% of large banks accept online applications at all, however. The fact that most big banks haven't warmed to online applications for small business loans suggests that it may be difficult for them to adapt the application process to an online environment.

It could be because direct communication is often needed to answer the many questions that come up in an application. If big banks, with their armies of techies, haven't figured out an effective way to take online business loan applications, it's no wonder that community banks have been slower to venture into that realm.

Ironically, big banks appear to be investing more in people than computers when it comes to accepting small business loan applications. For instance, big banks were far more likely than community banks to accept a loan application over the phone. Further, driving to locations of potential loan customers is a strategy often used by big banks according to the research too. This is good news for community banks, which all shine in the area of personal service and can certainly service customers above and beyond the best efforts of the largest banks.

Digital solutions are clearly important in banking today. But, to be competitive in the business loan arena, there seems to be no substitute yet for having capable people. So, keep manning the phones and connecting with

small businesses in the branch too.

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