



Reaping The Rewards Of SMB Optimism

👉 [lending](#) [business customers](#) [PPP](#)

Summary: As small and midsize businesses are optimistic, 90% anticipate their business will expand successfully. Many of these businesses will need funding to fuel this expansion, especially with increasing costs. Here are three ways to tap into business optimism and growth.

As the 74Y old author, Paulo Coelho has been credited with saying, “*Life was always a matter of waiting for the right moment to act.*” This reminds us that it is important to see opportunities as they arise. These opportunities appear to be arising with many small businesses.

This is good news for many financial institutions, as they have been patiently waiting for the day when lending gets back to normal. While the [FDIC reported an increase in net interest margin for community banks in Q3 2021](#) YoY and QoQ, these institutions still have an abundance of deposits to deploy. So, the fact that most small and midsize businesses (SMBs) are feeling bullish and plan to take out more loans in 2022, is good news for community financial institutions (CFIs). We provide insights from a recent JPMorgan Chase business owners survey along with ways to work with these businesses as they look to expand this year.

Optimistic SMB sentiment

Businesses are not only recovering from the pandemic, but many are also doing better than they did before the pandemic hit. According to the JPMorgan Chase survey, [53% of midsize businesses are functioning at the same capacity as pre-pandemic](#), and 31% said they are operating at a greater capacity.

Now, businesses are looking for funding — with 69% of small business leaders saying they have a need or plan on financing in 2022, up from 59% the previous year. The mood in the small and midsize business realm is decidedly positive, with ninety percent anticipating their business will expand successfully. In fact, no one expressed fear of going out of business.

But the expected growth is not without its challenges. Topping the list: finding enough qualified workers. The worker shortage means businesses will need to continue increasing wages, which increases their overall costs. It will be important for them to balance revenue with expenses, as inflation continues and interest rates rise.

Ways to tap into SMB optimism & growth

Making more loans in 2022 was the top goal in an ICBA survey of community bank CEOs. Small business lending will be a major part of the mix. Here are **three ways to competitively approach lending** with SMBs.

1. **Look at key industries.** Things are still moving forward at different paces. Actively watch the industries seeing the greatest progress since the pandemic. This will allow you to focus on key customers in those industries that are positioned for growth.
2. **Nurture PPP relationships.** Paycheck Protection Program (PPP) loans turned out to be new customer magnets for CFIs. Many PPP customers opened new checking accounts and deposited funds into these accounts. Now, the second wave of needs is arising. These customers, kept afloat with PPP loans, may now

find themselves in need of financing to thrive and grow. Those institutions that foster close ties with their PPP borrowers could wind up with new loan business in 2022 and beyond.

3. **Provide online lending.** In the JPMorgan Chase business survey, 68% said they plan to look into online borrowing this year. So, investing in an online lending platform, or partnering with a vendor with this solution, will be important for CFIs trying to grow small business lending. Expanding online lending while maintaining high-level, personal service will be a key differentiator for CFIs in 2022. Striking the right balance could bring significant rewards not just this year, but in the future.

All the signs point to small and midsize business growth this year. Yet, the competition will be tough. Make sure you are at the front of the pack in order to reap the benefits that you deserve.

LOOKING TO GROW YOUR LOAN PORTFOLIO?

Financial institutions are looking for ways to boost their loan portfolio. Depending on your portfolio concentration, you may need C&I loans or choose a hedging solution to satisfy the long-term, fixed-rate needs of your customers. Check out our [Lending Services](#) to find the right solution for your institution.

ECONOMY & RATES

Rates As Of: 02/25/2022 06:43AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.32	0.10	0.26
6M	0.65	0.16	0.46
1Y	1.13	0.35	0.75
2Y	1.61	0.42	0.87
5Y	1.91	0.29	0.64
10Y	2.00	0.21	0.48
30Y	2.30	0.19	0.39
FF Market	FF Disc	IORB	
0.08	0.25	0.15	
SOFR	Prime	OBFR	
0.05	3.25	0.07	

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