



Growing Together: How to Serve Small & Medium-Sized Businesses

WHITE PAPER

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Introduction

Small and medium-sized businesses (SMBs) are crucial to the global economy and even more to the U.S. economy, given that they comprise 99.9% of all businesses and 43.5% of GDP. The segment continues to grow rapidly, driven by younger entrepreneurs and a more favorable digital ecosystem.

However, SMBs face challenges such as access to capital, effective use of digital tools and vulnerability to fraud. Financial institutions (FIs) that provide card issuance and merchant services solutions are in a unique position to support SMBs by providing solutions that enable operational efficiency, productivity and growth, in addition to payment cards and acceptance solutions. Such solutions will also enhance their own profitability.

This paper, therefore, explores key trends and opportunities that issuers and financial institutions can utilize to better serve the evolving needs of SMBs.



33.2M

businesses in the United States are small, employing 61.7 million people.

Small and Medium-Sized Businesses: An Untapped Opportunity

Small and medium-sized businesses are the backbone of the global economy, yet they remain largely underserved by financial institutions. According to the World Bank, there are over 400 million SMBs, making up 90% of all businesses worldwide and over 50% of global employment. In the United States, 99.9% of businesses are small (33.2 million), employing 61.7 million people. These businesses represent as much as 43.5% of America's GDP, highlighting significant opportunities.

The Small Business Administration (SBA) recognizes SMBs as independently owned and operated, not dominant players in their fields, with a maximum of 500 employees and annual revenue of up to \$7.5 million.

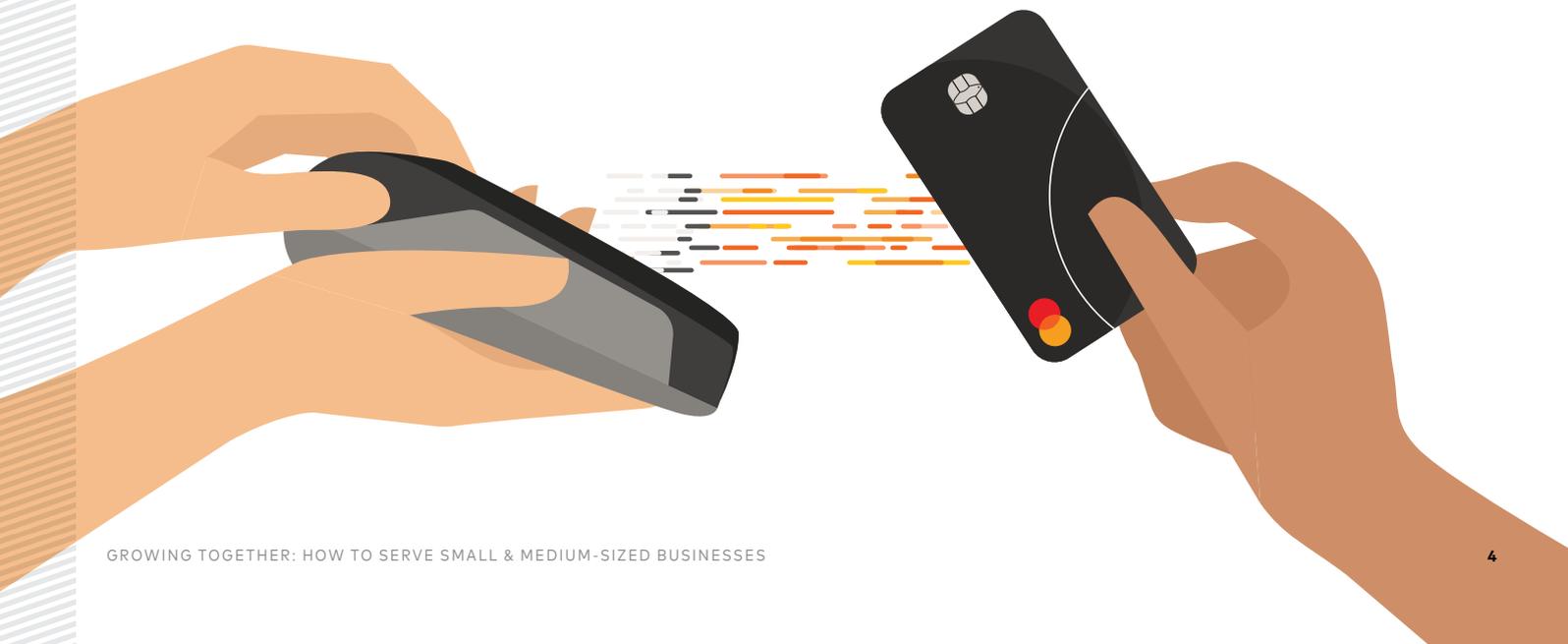
Not only is the small business segment large, but it continues to grow rapidly. The U.S. Treasury Department revealed that the country averaged 430,000 new business applications per month in 2024, 50% more than in 2019. This has been driven by a rise in younger entrepreneurs and an increase in accessible marketplaces and social media platforms that support small businesses.

43.5%

of America's GDP is created by small businesses.

Understanding the Needs of SMBs:

Despite their strategic and economic importance, SMBs are typically vulnerable to the risk of failure given their smaller size and access to fewer resources. While the rise of digitization has led to many opportunities (such as enhanced efficiencies and productivity, and the ability to reach wider audiences), it has also led to numerous new challenges. Below are three key difficulties SMBs consistently face.



76%

of SMB owners regularly use personal cards for business expenses; when they begin searching for SMB-specific solutions, they typically turn to the same FIs they already have relationships with.²

Access to Capital: An Evergreen Need:

A Goldman Sachs report¹ revealed that 77% of small business owners are concerned about accessing capital because they struggle to secure lines of credit for working capital and growth. Experts agree this has historically been a major need for small businesses. Often, business owners rely on personal credit, and without sufficient business records, they face challenges in meeting line of credit requirements.

Increasingly, SMBs depend on their financial institutions to support them across these areas. According to a 2022 Mastercard report², 76% of SMB owners regularly use personal cards for business expenses; typically turning to the same financial institutions they already have relationships with when they need SMB-specific solutions.

Solutions such as credit cards (with features suited to SMBs' specific needs) have been proven to help manage working capital.

The Need for Efficiency Through Digital Tools:

Given the global shift towards digitization (from cash and simple worksheets to digital payments and accounting platforms), SMBs are actively seeking digital tools and value-added services that enhance operational efficiency and support their growth.

In 2024, approximately 70% of new business applications in the U.S. were initiated by individuals who set up businesses to run on their own (known as solopreneurs), compared to 40% in 2005.³ This significant increase underscores the growing need for efficiency and productivity tools, as these business owners often juggle multiple roles. Therefore, it's become increasingly critical to ensure access to such tools as part of the solutions financial institutions provide to SMBs.

Vulnerability to Fraud Amidst Digitization:

Increased digital adoption has also led to greater concerns about financial security, with many SMBs fearing potential losses from fraud or system vulnerabilities. SMBs are often targeted by cyberattacks because they're seen as easier targets. In addition, the costs of recovery can be devastating, especially when capital is limited. Forbes Council⁴ highlighted that SMBs were the target of approximately 43% of all cyberattacks in 2023.

Given the potential for improved revenues, profitability and growth, more financial institutions are starting to intentionally address these challenges through their card issuance and payment acceptance solutions.



Key Takeaway

Financial institutions that work well with the SMB segment offer solutions that provide a comprehensive view of finances and support cash flow, expense management and forecasting.

Key Trends in SMB Card Issuance

Financial institutions are in a good position to address several core needs (including credit, efficiency, etc.) of SMBs through their card issuance propositions. Financial institutions at the forefront of this space are exploring several trends which are discussed below.

Small Business–Specific Card Benefits:

It's now considered best practice for small business cards to include personalized benefits aimed at improving financial management and operational efficiency. For example, small business cards from some FIs come with expense management tools, higher credit limits, custom payment terms, discounts for SMB-related digital tools and built-in accounting integrations. These features provide real-time visibility and control over business expenses while providing FIs with opportunities to differentiate their products.

Enhanced Control of Cards Via Mobile:

Maintaining control of expenses is important for SMB owners. Financial institutions that work well with the SMB segment offer solutions that provide a comprehensive view of finances and support cash flow, expense management and forecasting. This is because research shows that SMBs prefer tools which facilitate flexible expense management and automated reconciliation processes that integrate easily into their accounting platforms. They look for features such as a one-stop shop, comprehensive controls and ease of performing tasks on their banking apps.

TransFund enables its customers to provide such digital experiences. For example, TransFund's Card Suite provides business owners with an all-in-one mobile application to manage their payment cards, allowing them to control debit and credit cards from their mobile devices, thus addressing a key operational pain point.

The Rise of Digital Wallets:

As digital payments via wallets such as Google, Apple and Samsung Pay continue to expand in the general consumer experience, SMB owners are beginning to expect SMB cards to have the same features for ease of use. Providing cards that can be provisioned to these wallets for both contactless and online payments is becoming standard practice. Card processing partners such as TransFund work with FIs to enable their SMB cards to be securely provisioned and used in popular digital wallets.



60%

of SMBs accept only digital and mobile payments in the 2024 Business Wire study.⁵

Key Trends in SMB Payment Acceptance

Small business customers are accepting digital payments more frequently. To meet this demand, SMBs rely on their financial institutions to provide merchant services solutions that can help. In response, financial institutions are addressing these needs by exploring emerging trends as discussed below.

Flexible Acceptance Solutions:

There are endless opportunities for SMBs to accept payments across digital platforms. A 2024 study by Business Wire⁵ showed that while 70% of U.S. adults who use online services also use digital and mobile payments, only 60% of SMBs accept payments via this method. TransFund addresses this by providing solutions that enable SMBs to accept card payments through various digital methods, including contactless and online.

TransFund is engaging in this trend through its merchant services by providing its clients with a diverse range of flexible acceptance solutions. These include in-person point-of-sale (POS) systems, payment gateway integrations, virtual terminals, smartphone technology, POS software and e-commerce solutions. This enables SMBs to accept a diverse range of payment methods, based on the needs of their customers.



Low-Cost Acceptance Solutions:

A survey by Federal Reserve Banks⁶ showed that overall fees associated with payment processing is the most frequent payment-related challenge SMBs face in the U.S. As such, financial institutions continue to explore payment-related acceptance solutions that are cost effective to set up and maintain.

Solutions that allow SMBs to use their smartphones as terminals or portable devices they can use on the go are becoming more mainstream. Similarly, TransFund provides several cost-effective devices such as Clover Go and Move5000, equipping SMBs to meet customer demand.

"Our payment processing solutions and pricing compete with other large providers like Bank of America and Chase. We offer solutions as simple as mobile payment acceptance, but we can custom-build solutions to meet any business need. Our solution can help you do more than just accept credit and debit cards. We can help you run your business."

- Shawn Medeck, VP, Merchant Services Sales at TransFund

50%

of SMBs in the U.S. now use integrated software vendors (ISVs) as payment providers.⁷



Seamless Card Expense Reconciliation:

Financial institutions at the forefront of servicing SMBs are prioritizing the integration of card expenses and payments via acceptance solutions into small business accounting tools for automatic reconciliation. This helps satisfy SMB owners' need for efficiency and provides a more seamless customer experience.

In support of this, TransFund offers seamless integration and reconciliation experiences for SMBs as part of its merchant services solutions.

Smart Routing and Network Optimization:

Like the low-cost acceptance solutions trend, SMBs are sensitive to payment processing costs and seek opportunities to optimize their fees. Financial institutions that can facilitate such optimization set themselves apart while positioning themselves as trusted growth partners to their SMB customers. TransFund helps facilitate this by providing seamless network-neutral payment processing capabilities, enabling financial institutions and SMBs to optimize their routing, lower overall costs, and increase income with improved throughput and authorization rates.

Embedded Payments:

Small businesses in sectors such as restaurants and wellness are progressively adopting software solutions to boost efficiency in their accounting, Customer Relationship Management (CRM), inventory management and industry-specific applications. Financial institutions are increasingly leveraging integrated software vendors (ISVs) who provide software to integrate payments seamlessly and natively. This is critical given that 50% of SMBs in the U.S. now use ISVs as payment providers.⁷

Ultimately, financial institutions are prioritizing partnerships with software platform providers to reach new SMBs or launching white-labeled solutions to provide a holistic productivity and payments ecosystem for their SMB customers.

TransFund's Merchant Services solutions are designed for seamless integration with popular software providers, ensuring that SMBs can effortlessly manage their payment processing needs within their existing business platforms.

"I like that we're able to help our clients by providing excellent customer service, all the latest card processing technology and very competitive pricing. The combination of all three of these are what sets us apart from other merchant processing companies."

- Lance Schachle, VP Merchant Services Sales at TransFund

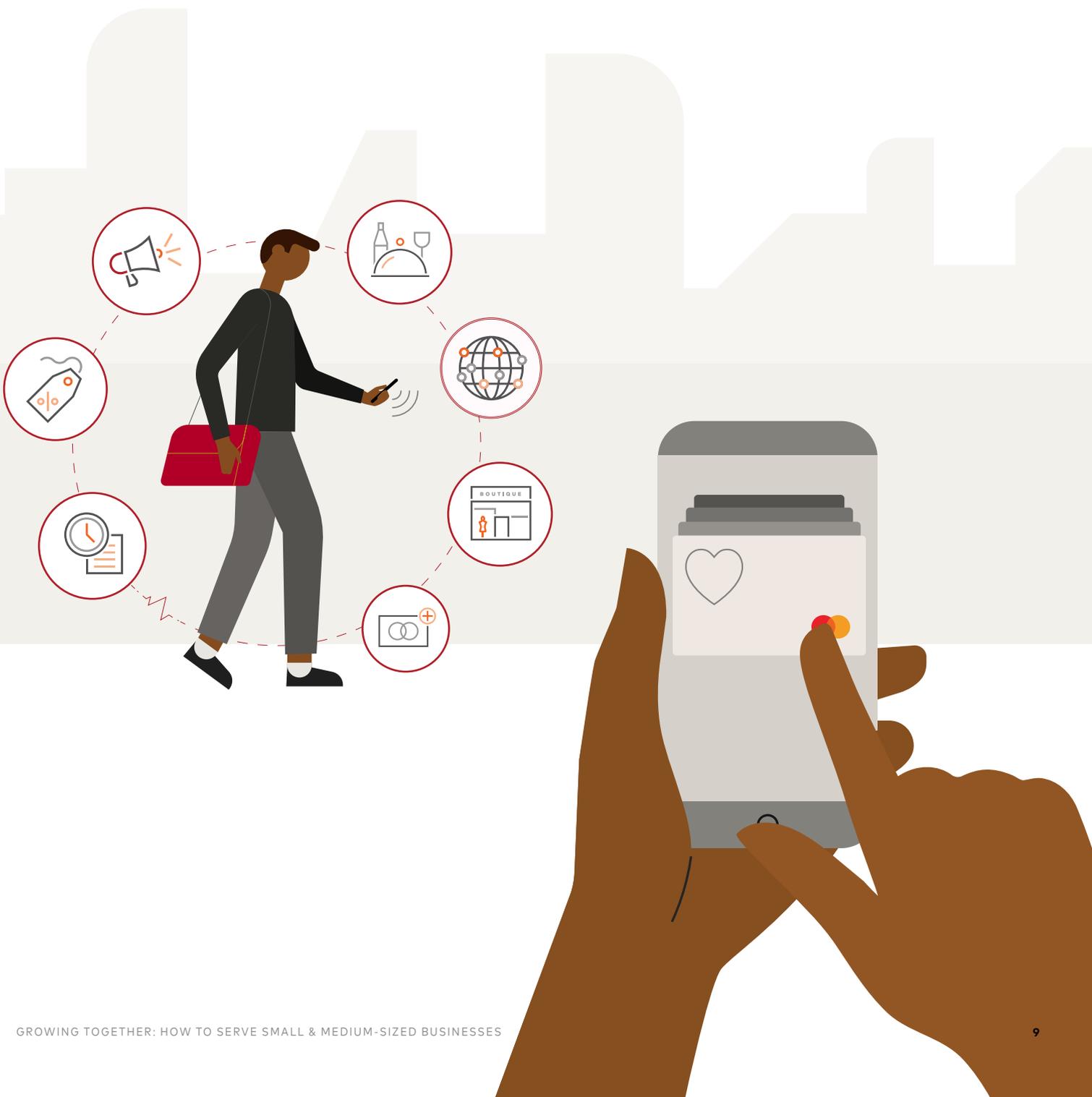
70%

of small businesses surveyed use at least one VAS from their payment provider.⁸

Value-Added Services (VAS):

Financial institutions who provide value-added services (VAS) are addressing their SMBs' need for productivity and efficiency. Many are increasingly offering a wider suite of services beyond core payment processing such as cash flow management, invoicing, fraud management, inventory management, multi-currency processing, customer loyalty programs, advanced analytics and more.

Some FIs go further to provide a one-stop ecosystem for both payment solutions and VAS for easy accessibility by SMBs. This trend is top of mind for SMBs – a McKinsey survey showed that 70% of small businesses surveyed use at least one VAS from their payment provider.⁸



Key Takeaway

Financial institutions foster strong customer relationships by appointing relationship managers who possess a deep understanding of the industries and business needs of SMBs.

Cross-Cutting SMB Trends

Outlined below are several trends both card issuers and financial institutions are exploring as they look to address the needs of their SMB customers.

Deeper Relationship Management:

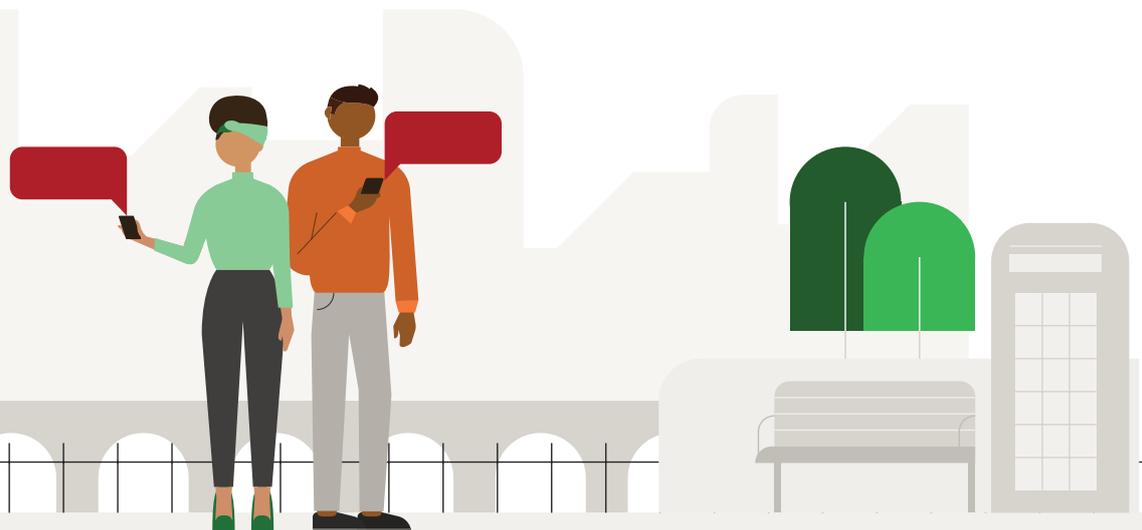
A key differentiation smaller financial institutions have is their ability to foster closer relationships with SMBs by focusing on communities where they operate. It is best practice for these financial institutions to build on this capability by providing SMBs with dedicated relationship management, whether virtual consultations or in-branch visits.

Financial institutions are also becoming more strategic with their branches. Trained front-line staff can uncover the true needs of small business owners and recommend tailored solutions such as business debit and credit cards or payment acceptance solutions. This approach transforms everyday interactions into opportunities to provide value, strengthening long-term relationships.

Hyper-Personalization of Solutions:

Financial institutions are increasingly adapting their services to meet the specific requirements of SMBs. By doing so, they ensure that their offerings remain relevant to distinct SMB segments given that tailored solutions tend to be utilized more frequently.

To enable such personalization, institutions typically segment SMBs based on industry vertical and business size (e.g. by revenue, number of employees, number of locations, etc.). They foster strong customer relationships by appointing relationship managers who possess a deep understanding of SMBs' industry and business needs. They're then able to bundle or position their offerings to best address the needs of priority segments.





Key Takeaway

Focusing on fraud prevention builds trust with SMBs and encourages them to optimize use of payment processing, card solutions and value-added services.

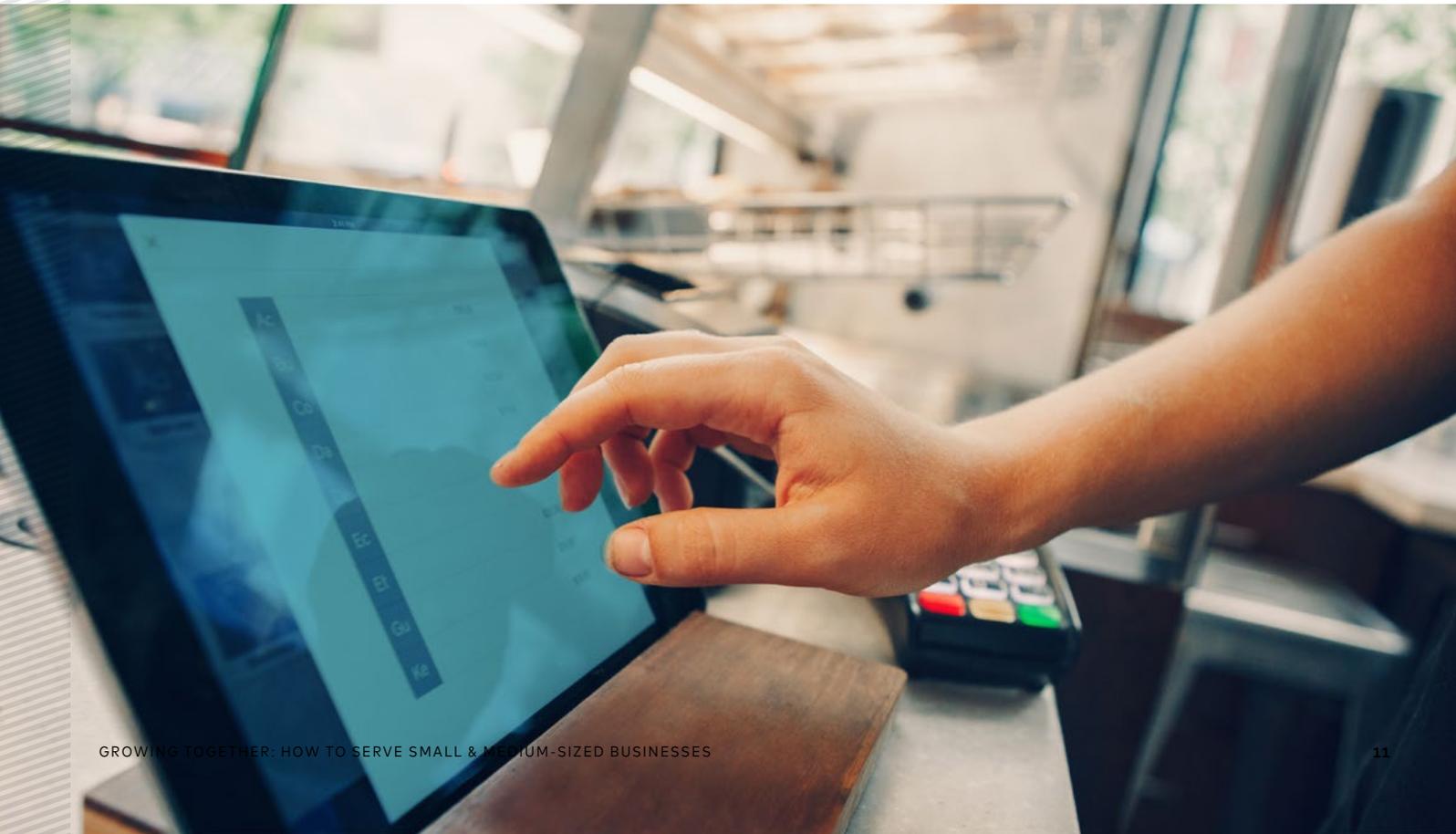
Overall, one-size-fits-all solutions are increasingly being replaced by vertical and industry-specific offerings. Leaders in this space are specifying which solutions work best for each vertical and are positioning their solutions accordingly in their marketing strategies.

TransFund's solutions are aligned with this trend. For example, Clover Flex hardware works well for mobile or curbside businesses such as home improvement, while Desk3500 is designed for SMBs that accept payments at the counter (e.g., retail). Additionally, virtual hardware is targeted at SMBs that accept payments online or via invoices (e.g., professional services).

Enhanced Fraud Prevention and Security:

Fraud detection tools are now essential, and it's table stakes for financial institutions to focus on fraud to their SMB customers in both marketing and servicing communications. Leading financial institutions also provide advanced fraud management capabilities that offer deep insights beyond parity fraud tools. Focusing on fraud prevention builds trust with SMBs and encourages them to optimize use of payment processing, card solutions and value-added services.

TransFund combats fraud by providing FIs and SMBs with advanced management tools including card-level verification checks, real-time card blocking, secure online payment options and the expertise of fraud specialists. These measures collectively enhance security and lower risks for SMBs while mitigating losses for financial institutions.



87%

of small business owners think technology has supported their growth in challenging conditions.⁹

Key Strategies for Optimizing Profitability

To optimize profitability with SMB portfolios, financial institutions can boost revenue and retain customers by promoting product usage, encouraging adoption of digital tools and leveraging data to cross-sell. Additionally, value-added services and flexible pricing models support SMB growth, thus enhancing profitability and fostering lasting relationships.

Increased SMB Stickiness Driven by Digital Tools:

Integrated digital tools such as expense management systems, digital wallets and mobile apps boost SMB customer retention by simplifying financial management and enhancing the user experience. According to Teneo Advisory,⁹ 86% of small business owners in the U.S. believe that technology platforms helped them survive through COVID-19, and 87% think technology has supported their growth in challenging conditions.

Financial institutions who do this well make it easy for SMBs to use these tools by providing seamless automation and integration capabilities, thus reducing the need for manual entry and oversight. This is why TransFund offers access to solutions to facilitate such seamless digital experiences. For example, the Digital Now solution provides instant card issuance, digital wallet capabilities, integration opportunities and more.

Data-Driven Cross Selling:

Financial institutions that use data-driven cross-selling typically analyze customer behavior, card transactions, receivables and other payment insights to offer personalized product recommendations tailored to the needs of their SMB customers. This approach boosts sales, improves retention and builds loyalty because the suggested solutions are designed to fit to customer needs. Vox¹⁰ reports that businesses employing data-driven strategies are three times more successful than those that do not.

Offering Multiple Value-Added Services at a Fee:

Offering value-added services such as fraud protection, financial advisory, cash flow tools and ID theft monitoring allows financial institutions to generate additional revenue by offering these services at a fee or at a premium. Bundling them with core payment services adds value for SMBs and helps financial institutions stand out in a competitive market. According to Green Profit Solutions,¹¹ this strategy not only fosters loyalty and improves retention but also provides SMBs with a comprehensive, cost-effective financial solution.

Key Takeaway

Given that different SMB segments often have different needs and capabilities, it's essential to be flexible in providing multiple options and periodically measure their effectiveness.

21%

more business credit card transactions occur per month than consumer card transactions.¹²

Higher Interchange Potential for Small Business Cards:

Business debit cards generate approximately 21% more transactions per month¹² than consumer cards, with an average ticket size that's up to 59% greater and interchange fees that can be up to 30% higher, or around 20% higher in the case of credit cards.¹³ These differences in transaction volume and interchange rates contribute to increased profitability. Overall, SMB cards are typically linked to larger transaction amounts and higher credit limits, both of which encourage frequent use, making them a valuable tool for boosting revenue.

Smart Pricing Models:

To optimize their profitability, several financial institutions are exploring and testing pricing models such as transaction fees, subscriptions or separate charges for value-added services. In addition, pricing models are moving toward value-based approaches, considering factors such as sales volume and cash flow.

Given that different SMB segments often have different needs and capabilities, it's essential to be flexible in providing multiple options and periodically measure their effectiveness. Different pricing models will work best for different SMBs depending on their stage e.g. start-up versus growth; so it's best practice to guide the SMBs in selecting suitable pricing models and service bundles through use case messaging and testimonials.

By planning and refining models, financial institutions can boost satisfaction, retention and profitability while keeping solutions cost-effective for SMBs.





Key Takeaway

In addition to testing pricing models and refining value propositions, financial institutions must also regularly evaluate the adoption and performance of value-added services by adjusting to customer feedback and financial results.

Implementation Guidelines and Considerations

Successfully engaging SMBs demands a comprehensive, data-driven strategy. It involves understanding SMB needs, leveraging data insights, fostering community engagement and utilizing digital platforms to strengthen relationships and drive growth. By aligning these efforts, financial institutions can provide tailored solutions that resonate with SMBs, ensuring lasting success and mutual growth.

Build a Culture of Testing and Refinement:

Ensuring profitability begins with understanding SMBs and the diverse segments within each industry's clients. Financial institutions can utilize tools such as customer surveys to uncover the key needs and drivers of their target SMBs. Insights gained from these surveys can guide the development of tailored products and solutions, as well as validate marketing strategies. This process ultimately facilitates the development of an appealing value proposition. This is fundamental to achieving success.

TransFund supports this process by providing marketing materials and assets to help launch targeted campaigns via digital platforms, ensuring relevant positioning, effective outreach and enhanced engagement with SMBs.

Financial institutions must also regularly evaluate the adoption and performance of value-added services by adjusting to customer feedback and financial results. This is in addition to testing pricing models and refining value propositions to ensure products remain competitive, sustainable and profitable.





Key Takeaway

TransFund regularly supports its clients in developing tailored marketing assets, making it easier to acquire SMB customers.

Build Trust Through Community Engagement and Education:

Financial institutions can strengthen their relationships with SMBs by actively engaging in local initiatives and contributing to the growth of their communities. Activities may include event sponsorship partnering with local organizations and running programs that positively impact the community while supporting core business needs.

For example, TransFund's affiliate card partnerships offer an effective way for financial institutions to support local causes and deepen community ties. These efforts not only benefit the community but also position financial institutions as key partners in SMBs' successes. Similarly, financial institutions are in a good position to use data in support of growth activities such as networking, financial education and business insights.

Leverage Relevant Platforms to Acquire New Customers:

To reach potential SMB customers where they congregate, financial institutions can use digital platforms such as LinkedIn and Facebook for targeted advertising. By collaborating with digital marketing experts, financial institutions can create relevant campaigns to optimize their SMB acquisition efforts.

TransFund regularly supports its clients in developing tailored marketing assets for such digital platforms, making it easier to acquire SMB customers. In addition, partnerships with organizations such as the Small Business Administration (SBA) or Community Development Financial Institutions (CDFIs) can help FIs gain new customers, thus increasing their visibility and customer base.



Key Takeaway

The voice of the customer is key, and their insights should be used to refine offerings, then leverage platforms like LinkedIn and Facebook for targeted acquisition.



Conclusion

Small and medium-sized businesses are dynamic and growing segments that increasingly rely on digital tools, financial support and fraud protection. Their evolving expectations present both challenges and opportunities for financial institutions and merchant services providers.

To stay competitive, institutions must align with key trends shaping SMB financial services:

- Personalized card issuance strategies with mobile-first expense management, digital wallets and relevant rewards
- Integrated acceptance solutions that combine flexibility and cost-efficiency, smart transaction routing and compatibility with SMB business tools
- Value-added services such as embedded lending, advanced fraud prevention and cash flow management for better productivity and efficiency

To ensure successful implementation, it's crucial to foster a culture of optimization. The voice of the customer is key, and their insights should be used to refine offerings, then leverage platforms like LinkedIn and Facebook for targeted acquisition. Alongside community engagement and financial education, all of this builds trust.

TransFund is well positioned to help its partners leverage these trends. Through modern card issuance, payments processing, robust merchant services and a comprehensive value-added service (VAS) ecosystem, TransFund supports its clients in delivering holistic, profitable solutions that support SMB growth.

By leveraging these trends, financial service providers can unlock growth and become essential partners to their SMB customers.

Endnotes

- 1 [Goldman Sachs](#) (2023)
- 2 [Mastercard Report](#) (2022)
- 3 [US Department of Treasury](#)
- 4 [Forbes Council](#) (2025)
- 5 [Business Wire](#) (2025)
- 6 [Federal Reserve Banks](#) (2024)
- 7 [McKinsey](#) (2022)
- 8 [McKinsey](#) (2022)
- 9 [Teneo Advisory](#) (2022)
- 10 [Vox](#) (2024)
- 11 [Green Profit Solutions](#)
- 12 [2024 Pulse Debit Issuer Study](#)
- 13 [Mastercard interchange fees and rates explained](#)



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