

# 2024

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## Embedded Lending:

From the Lender's  
Perspective

**VISA**



# What is embedded lending?

Embedded lending describes any credit tool or capability integrated directly into the merchant or provider's platform wherein borrowers can apply for credit when paying for a product or service. For instance, during an online retail checkout, consumers could be offered the option to apply for a new credit card, an installment on an existing credit card, or a buy now, pay later (BNPL) service — and can immediately use it to pay for part or all of the bill.

Other examples of embedded lending include dedicated apps or financial services platforms that provide cash advances or instant loans. Forms of lending that are not embedded include credit options such as charging the expense on an existing credit card or using money from an existing personal loan. Embedded lending is a subset of embedded finance, and though the terms are related, they are not the same.



Read more in  
**The Embedded Lending Opportunity**  
[Click here to download](#)

Embedded Lending: From the Lender's Perspective was commissioned by Visa, and PYMNTS Intelligence conducted the research and produced the report. [PYMNTS Intelligence](#) retains full editorial control over the following content, findings, methodology and data analysis.

2024

## Embedded Lending: From the Lender's Perspective

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# What's **at stake**

**L**enders across major global economies have begun to offer embedded lending, which makes lending products a streamlined part of payments. However, data suggests that the typical lender that serves either consumers or small to mid-sized businesses (SMBs) has not fully embraced the potential of embedded lending to attract customers and open access to new market segments. Nearly half of the lenders serving SMBs have not even entered the embedded lending space.

# 45%

Share of lenders that serve SMBs that **do not offer any embedded lending product currently**

PYMNTS Intelligence's latest research suggests that many lenders underestimate the impact embedded lending can have on their market shares and bottom lines. Only roughly 1 in 5 lender respondents indicate they are very or extremely interested in launching new embedded lending products in the next two years. One key obstacle appears to be that relatively few lenders are leveraging integrations with external platforms, such as marketplaces or in-store point-of-sale systems, that can help them reach new customers. For example, only 37% of lenders that serve individual consumers have integrated with an eCommerce platform.

These are just some of the findings detailed in Embedded Lending: From the Lender's Perspective, a report commissioned by Visa and designed and conducted by PYMNTS Intelligence. This report explores the embedded lending landscape for FinTechs and financial institutions, looking into how and to whom embedded lending is offered, and what points of friction are associated with available options. It draws on a survey of 361 lenders across six major economies — Australia, Germany, India, Japan, the United Kingdom and the United States — and analyzes a sample that is deliberately made up of at least two-thirds lenders that offer embedded products. The survey was conducted from Feb. 20 to March 15.

**This is what we learned.**

## Key findings

01

# Consumer/SMB imbalance

Most lenders that offer embedded lending are prioritizing individual consumers rather than SMBs.



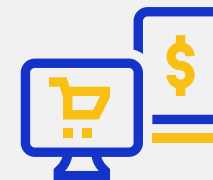
83%

Share of lenders that lend to consumers that **offer at least one** embedded lending product; the corresponding share for SMBs is 55%

03

# External integrations

Lenders do not yet make the most of external platform integrations for their embedded lending products.



42%

Share of lenders that lend to consumers that have at least one **external platform integration**

02

# Low innovation interest

A relatively small population of lenders indicates strong interest in launching new embedded lending products, suggesting that the growth potential of this segment is underestimated.



22%

Share of lenders **very or extremely interested** in offering new embedded lending products in the next two years

04

# Key challenges

Lenders that do not currently offer embedded lending identify several key barriers that dissuade them – many around interoperability.



34%

Share of lenders not currently offering embedded lending that cite **technology issues** as their biggest area of concern in rolling out embedded lending



# The full story

## Embedded Lending:

From the Lender's Perspective

Embedded lending is becoming a prominent feature in both the consumer and SMB lending segments – but lenders across six major economies are widely missing the opportunity to fully tap into this growth potential.

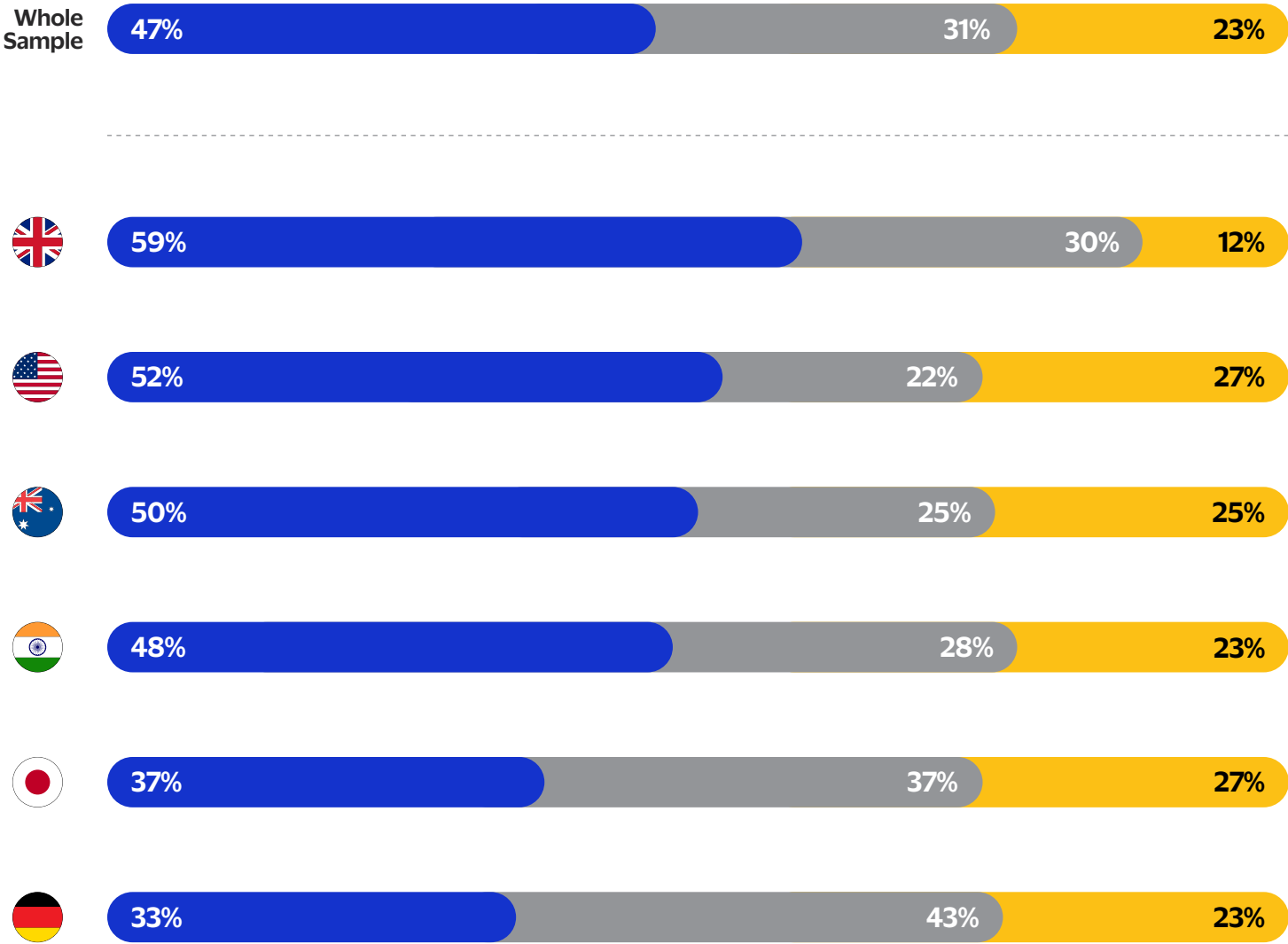
# Lenders offering embedded lending are largely overlooking the SMB segment by focusing on consumers.

Embedded lending is becoming a standard feature for many lenders globally. Among lenders surveyed, 47% provide embedded lending exclusively, 23% offer only other types of lending products and 31% provide both.

Rates of embedded lending provision vary notably among the six countries. The U.K. leads, with 85% of lenders providing embedded lending products, followed by Germany and India, both at 77%, and Australia, at 75%. The U.S. and Japan tie for last place, with 73% of lenders offering embedded lending solutions, highlighting substantial room for growth in the world’s largest and third-largest economies, respectively.<sup>1</sup> The U.S. also features the lowest overlap of lenders that offer both embedded and other types of lending, at 22%, suggesting that lenders currently providing only other lending products there can find new growth by expanding into embedded lending.

<sup>1</sup> Author unknown. GDP (current US \$). The World Bank. 2024. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>. Accessed May 2024.

**Figure 1:**  
**Embedded lending offerings**  
Share of lenders with embedded and/or other types of lending offerings



- Only embedded lending
- Both embedded and other types of lending
- Only other types of lending

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender’s Perspective, May 2024**  
N = 361: Complete responses, fielded Feb. 20, 2024 — March 15, 2024

31%

Share of lenders that provide  
**both embedded and traditional  
lending products**

The data reveals that lenders are less likely to offer embedded lending products to SMBs than to individual customers. Across the six markets, 83% of lenders offer embedded lending products to customers, compared to 55% that serve SMBs. For other types of lending, that difference is just 13%.

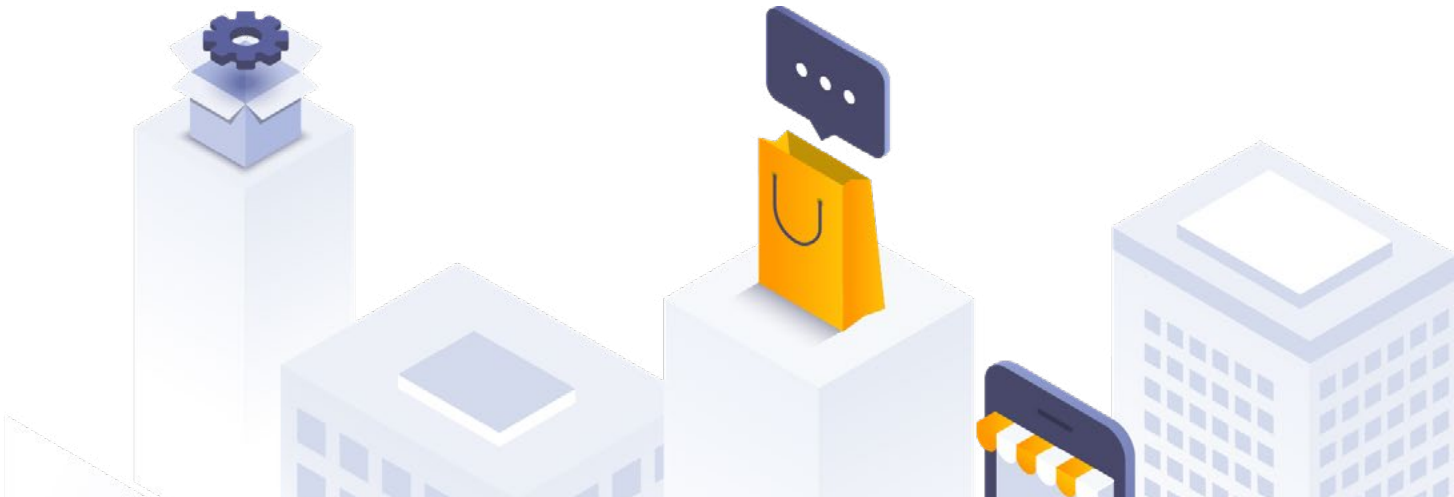
This pattern, in which lenders are more likely to offer products to individual consumers, broadly holds in six of the countries studied, with only German lenders bucking this trend. Providers in Australia and Japan exhibit the largest gaps between embedded lending rates to consumers and SMBs, at 50 percentage points and 42 percentage points, respectively. Overall, country-level data confirms that SMBs are systematically overlooked by large shares of lenders across global markets.



**Figure 2:**  
**Lending to individuals versus SMBs**  
Share of lenders surveyed that provide embedded and other types of lending

	Small businesses		Individual consumers	
	Embedded lending	Other types of lending	Embedded lending	Other types of lending
Whole sample	55.1%	67.6%	82.7%	76.5%
Country				
• Japan	51.6%	91.7%	93.5%	91.7%
• Australia	42.9%	50.0%	92.9%	91.7%
• India	57.1%	64.3%	85.7%	78.6%
• Germany	74.3%	66.7%	62.9%	50.0%
• United Kingdom	51.1%	57.1%	80.9%	57.1%
• United States	52.6%	72.7%	84.2%	81.8%

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender’s Perspective, May 2024**  
N = 282: Lenders that offer lending products directly or by partnering with third parties, fielded Feb. 20, 2024 — March 15, 2024



## Lenders' interest in offering new embedded lending products is notably low and out of step with consumer and SMB demand.

Overall, the lenders surveyed across the six markets studied show lukewarm interest in innovating new embedded lending products. Among the lenders that currently serve individuals, 22% are very or extremely interested and another 27% somewhat interested in offering new embedded lending products for consumers in the next two years. The trend is similar for lenders that lend to SMBs, with 22% expressing high levels of interest and 29% moderate interest. These figures vary widely across individual markets, with more robust interest in India and the U.K. on the consumer side, and India and Germany on the SMB front. Meanwhile, Australia and Japan exhibit very low levels of interest for offering new SMB embedded lending products.

The survey reveals two important pockets of more concentrated interest in embedded lending innovations. On the consumer side, 29% of lenders whose net profits rose in 2023 are very or extremely interested in offering new embedded lending products, whereas for those with stable or falling profit margins, less than 20% of lenders have high interest. Furthermore, lenders that report increased net profit margins are 23% more likely to have embedded lending in their portfolios than those with stable or lower net profit margins.

Many lenders that lend to SMBs and have hesitated to embrace embedded lending are eager to catch up: 37% of this group expresses high levels of interest in embedded lending innovation.

Lenders with increased net profit margins are **23%** more likely to have embedded lending in their portfolios than those with stable or lower net profit margins.



**Figure 3:**  
**Lenders’ interest in embedded lending innovation for consumers**  
Share of lenders citing select levels of interest in offering new embedded lending products to consumers in the next two years

	Very or extremely interested	Somewhat interested	Not at all or slightly interested
Whole sample	22.3%	26.6%	51.1%
Embedded lending status			
• Only embedded lending	21.9%	27.6%	50.5%
• Both embedded and other types of lending	20.8%	26.4%	52.8%
• Other types of lending	25.0%	25.0%	50.0%
Net profit variation in 2023			
• Higher in 2023	28.6%	28.6%	42.9%
• About the same	18.6%	28.6%	52.9%
• Lower in 2023	14.8%	20.4%	64.8%
Country			
• United States	14.6%	36.6%	48.8%
• United Kingdom	33.3%	33.3%	33.3%
• Germany	25.0%	28.6%	46.4%
• India	43.9%	24.4%	31.7%
• Australia	8.1%	29.7%	62.2%
• Japan	7.5%	7.5%	85.0%

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender’s Perspective, May 2024**  
N = 229: Lenders that offer lending products to individual consumers, fielded Feb. 20, 2024 – March 15, 2024

**Figure 4:**  
**Lenders’ interest in embedded lending innovation for SMBs**  
Share of lenders citing select levels of interest in offering new embedded lending products to SMBs in the next two years

	Very or extremely interested	Somewhat interested	Not at all or slightly interested
Whole sample	22.0%	29.3%	48.8%
Embedded lending status			
• Only embedded lending	14.9%	40.4%	44.7%
• Both embedded and other types of lending	16.9%	31.0%	52.1%
• Other types of lending	37.0%	15.2%	47.8%
Net profit variation in 2023			
• Higher in 2023	19.7%	35.5%	44.7%
• About the same	27.1%	20.8%	52.1%
• Lower in 2023	20.0%	27.5%	52.5%
Country			
• United States	17.9%	39.3%	42.9%
• United Kingdom	10.7%	42.9%	46.4%
• Germany	29.4%	17.6%	52.9%
• India	41.4%	41.4%	17.2%
• Australia	5.6%	27.8%	66.7%
• Japan	18.5%	7.4%	74.1%

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender’s Perspective, May 2024**  
N = 164: Lenders that offer lending products to SMBs, fielded Feb. 20, 2024 – March 15, 2024

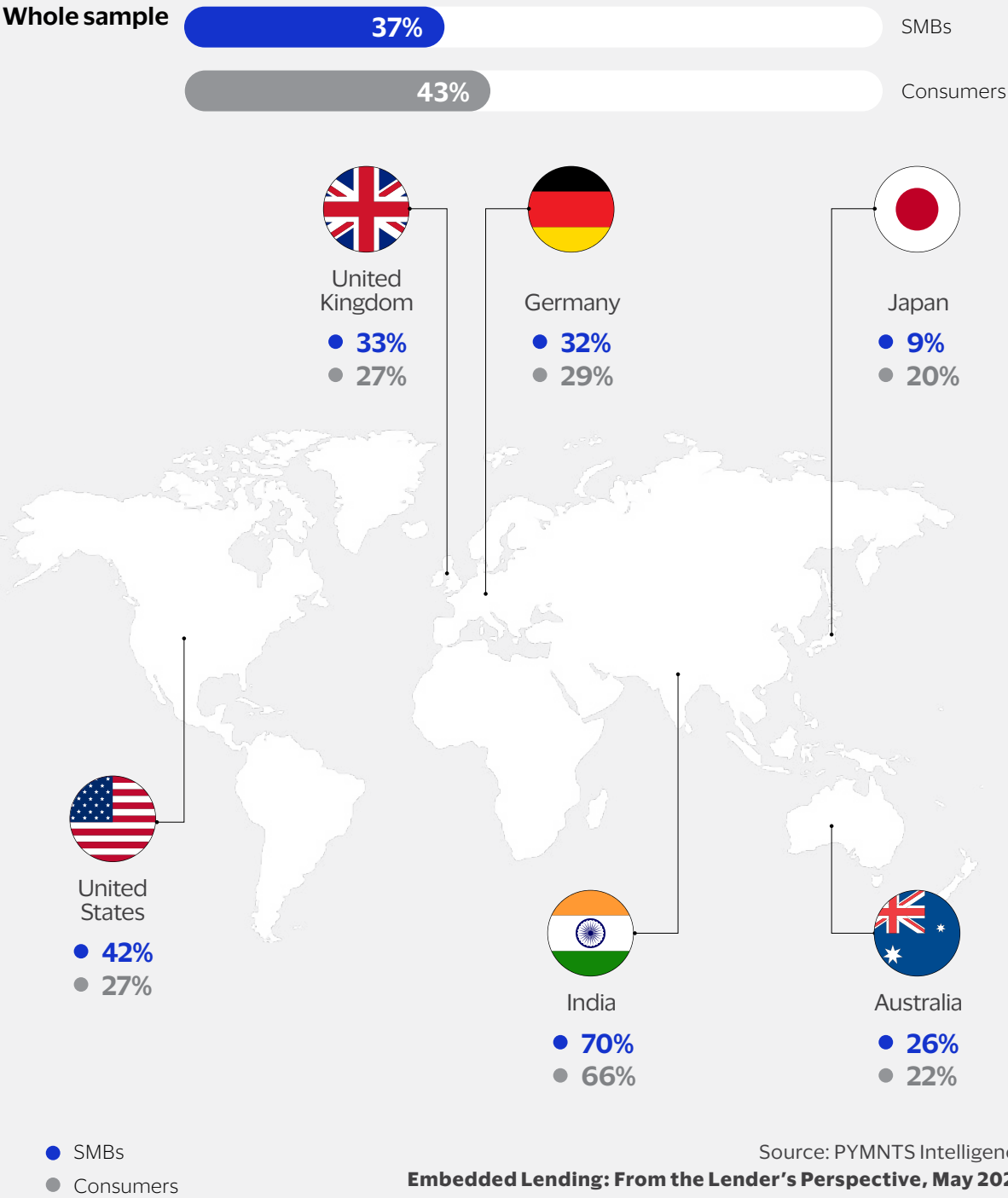


51%

Share of lenders  
**not interested** in offering  
new embedded lending products  
to individual consumers

Lenders’ seemingly tepid interest in offering new embedded lending products reflects what is currently a missed opportunity to tap substantial market demand. For this project, we studied both consumers and SMBs in parallel and found that sizable shares of both favor providers that offer embedded lending. Among the individual consumers surveyed, 43% indicated they would be very or extremely interested in switching to a service provider that offers embedded lending, while for SMBs, the rate was 37%. Especially high rates in India – 66% for consumers and 70% for SMBs – are pulling this average up. Nonetheless, across all six countries and in both categories (with the single exception of SMBs in Japan), embedded lending commands substantial interest that too many lenders appear to underestimate.

**Figure 5:**  
**Likelihood of switching lenders for embedded lending options**  
Share of consumers and SMBs very or extremely interested in switching to a provider that offers embedded lending options



Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N = 8,326: Whole sample of consumers, fielded Jan. 22, 2024 – Feb. 13, 2024;  
N = 3,160: Complete SMB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

## Lenders widely underutilize external platform integrations for their embedded lending products.

Data shows that lenders do not fully leverage the potential of external integrations that ensure end borrowers can access their lending products without leaving the digital or physical user experience when making purchases or payments. Across the surveyed markets, only 58% of lenders that lend to individual consumers have at least one third-party platform integration, such as with a marketplace or eCommerce platform, while the same is true for 64% of those that serve SMBs. This means that around 4 in 10 lenders that already offer embedded finance products use their own first-party channels or some other mobile banking channel, reflecting a missed opportunity to reach new customers and boost profits.

U.K. companies that do not offer embedded lending tend to report **risk management and credit assessment challenges.**

“ We have been **facing challenges with regular credit checks** to maintain the repayment time frame. ”

— A U.K. lender

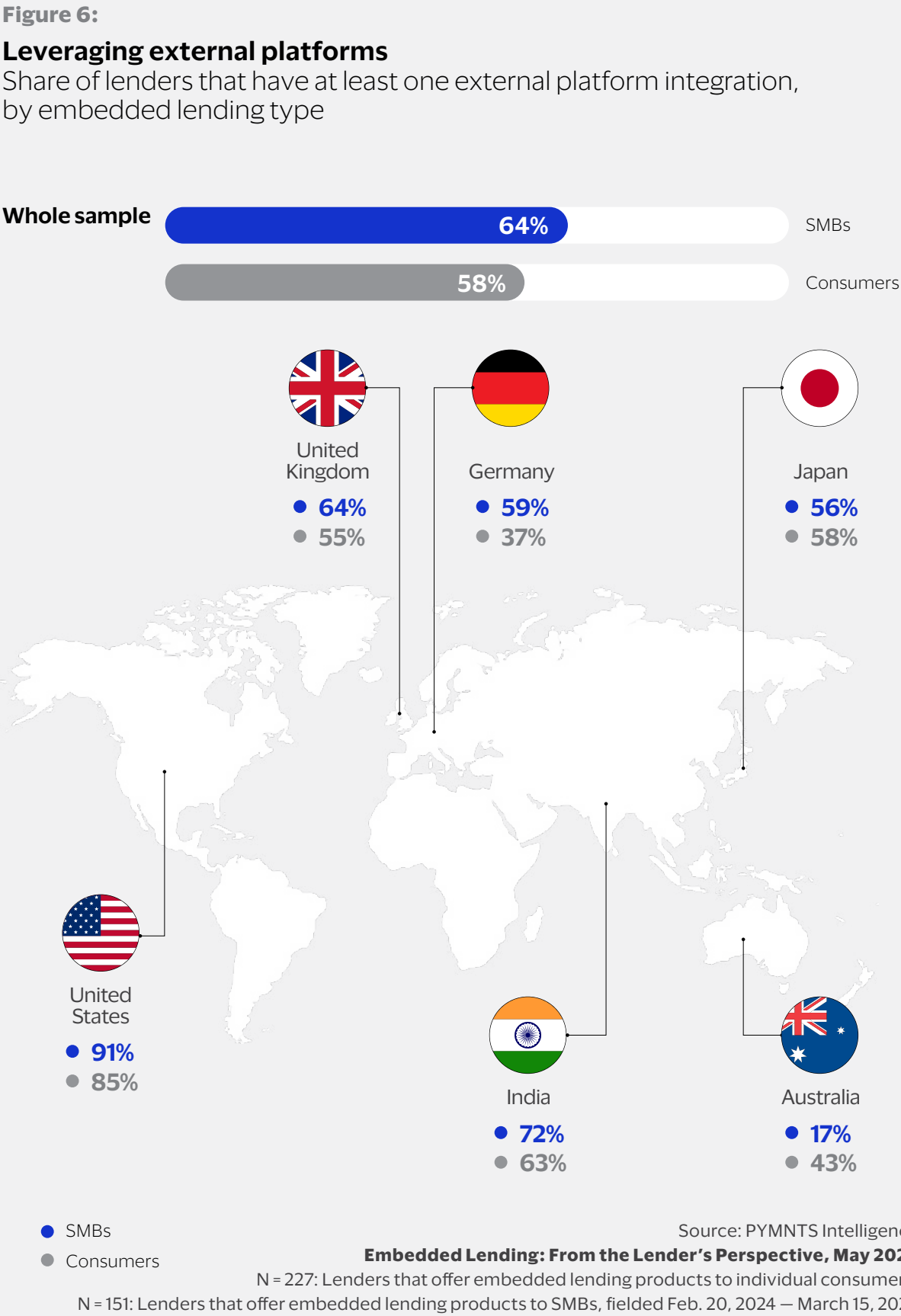
This tendency varies greatly across the markets surveyed, however. U.S. embedded lending providers lead here, as only 8.7% fail to use external platforms, while at the other end of the spectrum, 83% of their Australian peers use only first-party channels.



Australian companies that offer embedded lending without any external integration widely report a range of challenges, including **technology integration and compliance.**

“ We generally face difficulties during the integration process **while maintaining interoperability between different technologies.** ”  
— An Australian lender

“ The laws and rules of embedded lending are **different in all regions,** which makes it challenging. ”  
— An Australian lender



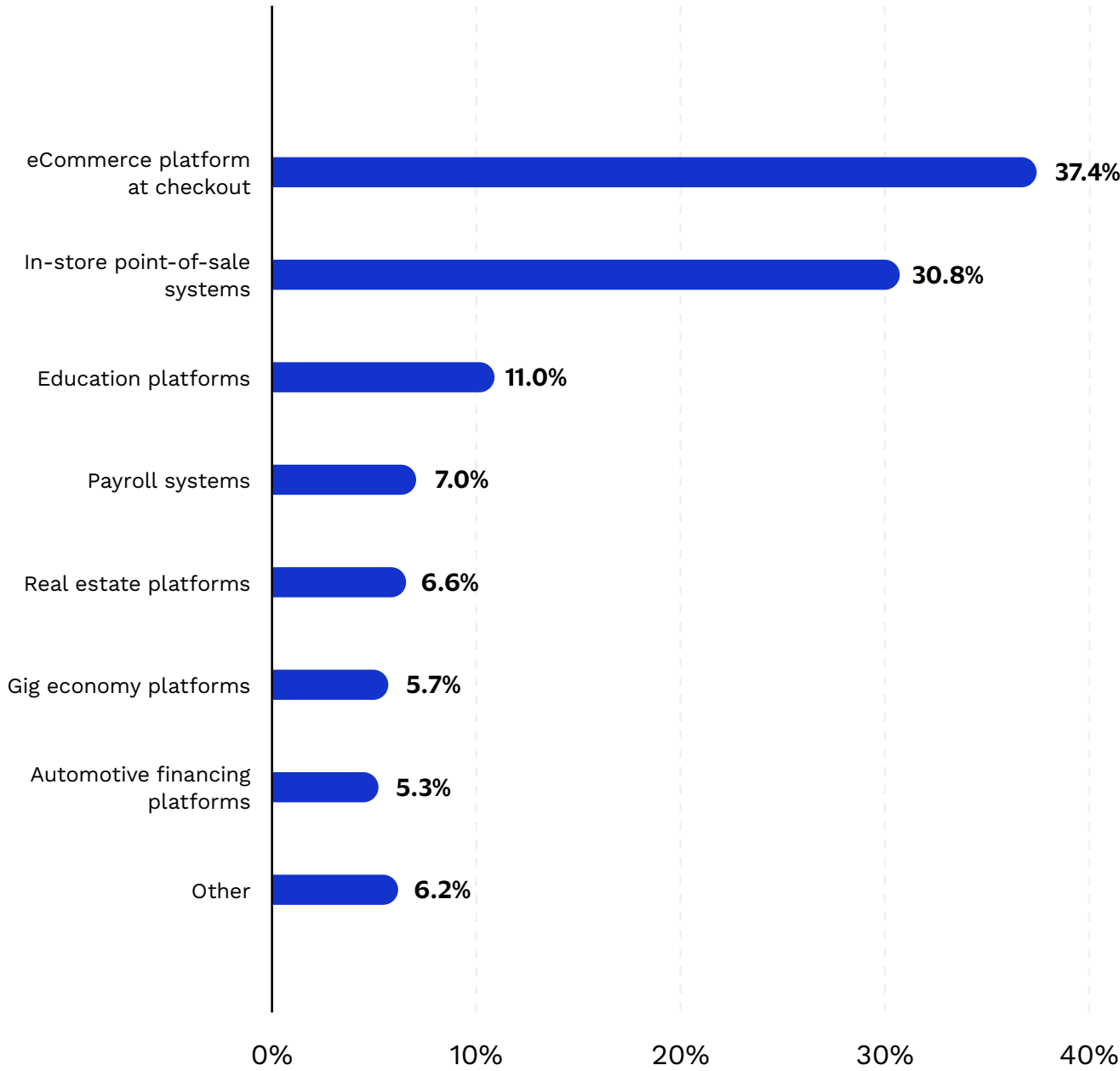
Even among lenders that integrate embedded lending products with third-party platforms, utilization rates are notably low for each individual type of integration. On the consumer side, only 37% of lenders that offer embedded lending products have integrated with eCommerce platforms, and only 31% leverage integrations with in-store point-of-sale systems. Other types of integrations, such as those with education platforms (11%) and payroll systems (7%), are far less utilized. The situation is similar for lenders that offer embedded lending to SMBs, with the most common integration types being industry-specific platforms (used by 24% of these lenders), small business marketplaces (used by 23%) and payment processors (21%). These findings indicate significant untapped growth potential for lenders that can make the most of external platform integrations.

37%

Share of lenders offering  
embedded lending that have  
**eCommerce platform integrations**



**Figure 7A:**  
**The third-party integrations**  
Share of lenders that cite select platforms as embedded lending products offered to consumers

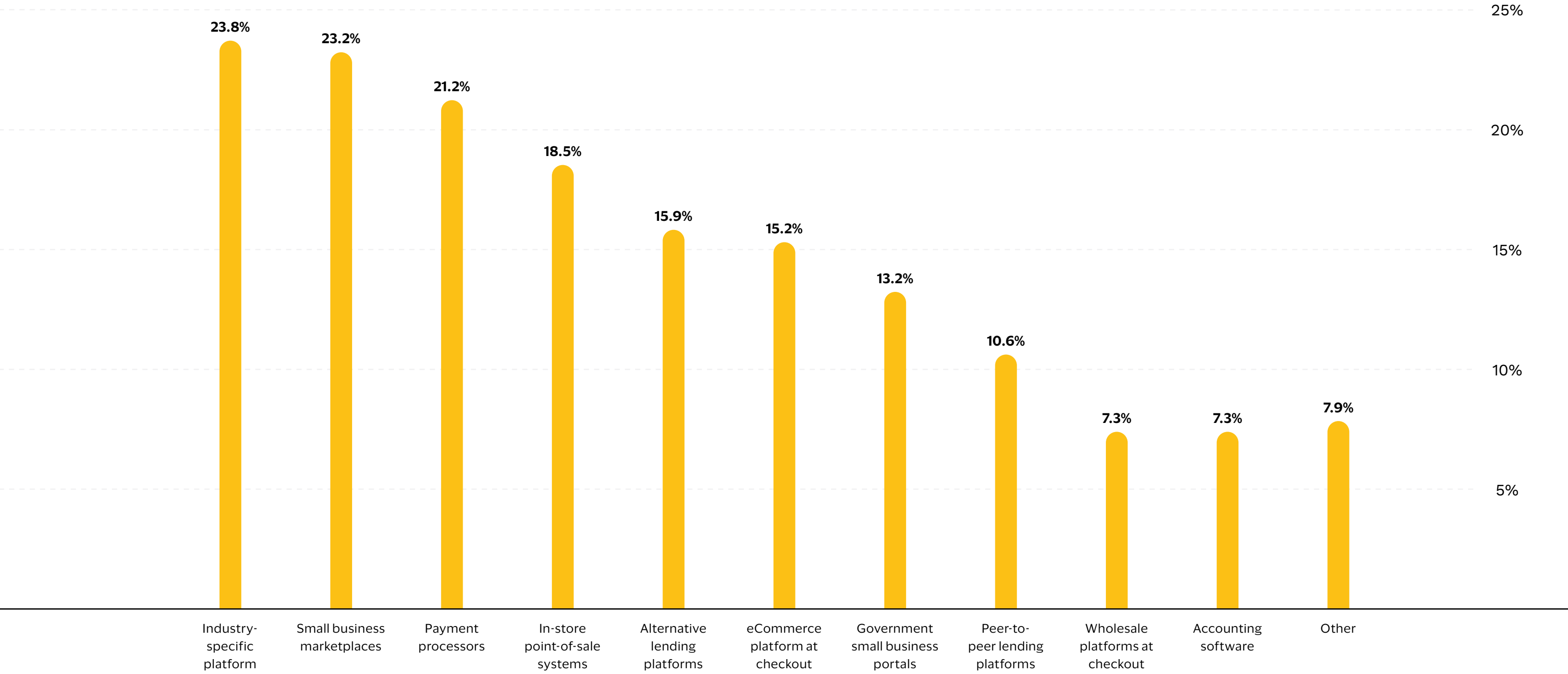


Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N = 227: Lenders that offer embedded lending products to individual consumers, fielded Feb. 20, 2024 — March 15, 2024



**Figure 7B:**  
**The third-party integrations lenders use**  
Share of lenders that cite select platforms as embedded lending products offered to SMBs

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N = 151: Lenders that offer embedded lending products to SMBs, fielded Feb. 20, 2024 – March 15, 2024



For lenders not currently offering embedded lending, technology integration and operational issues are the biggest challenges.

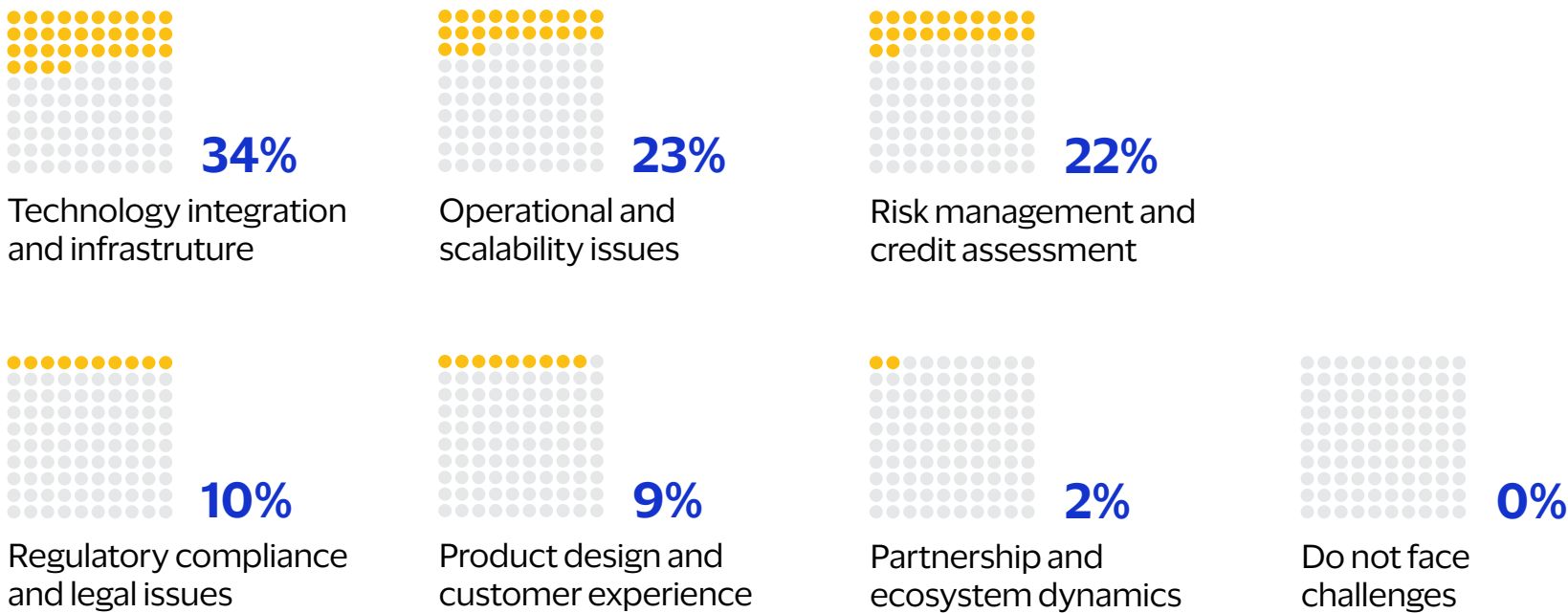
Lenders that do not yet offer embedded lending products identify several key barriers that keep them from innovating in this area.

Technology integration and infrastructure challenges represent their biggest area of concern, cited by 34% of this group as the most significant obstacle they face in beginning to offer embedded lending products. Operational and scalability issues follow, at 23%, with risk management and credit assessment close behind, at 22%.

Although the underlying dynamics and issues differ across these areas, all three categories reflect perceived onboarding difficulties, which integrated solutions could likely address.



Figure 8:  
**Challenges for providers that do not offer embedded lending**  
Share of lenders that do not offer embedded lending that cite challenges associated with doing so



Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N = 82: Lenders that offer only other types of lending products, fielded Feb. 20, 2024 — March 15, 2024

We also found differences in how lenders in each country rate their biggest challenges to offering embedded lending. For example, technology issues are significant for each market but cited with relatively lower frequency in the U.K. and the U.S.

Overall, this data underscores the need for providers in each market to understand local dynamics and tailor their approaches accordingly.

# Data focus

**Some lenders not currently offering embedded lending still show interest in adopting key embedded lending products.**



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## **Two-thirds of lenders that are not currently offering any embedded lending options are interested in providing embedded personal loans to consumers and microloans to SMBs.**

Lenders are focusing on several high-impact areas of potential growth in the next two years. Among lenders that serve consumers but offer no embedded lending products, 67% show interest in offering embedded personal loans. Among those that currently offer embedded lending other than consumer loans, 28% show the same interest. Other areas generating strong interest on the consumer side include BNPL, with 51% of lenders that do not currently offer this product exhibiting interest, and payday loans, at 39%.

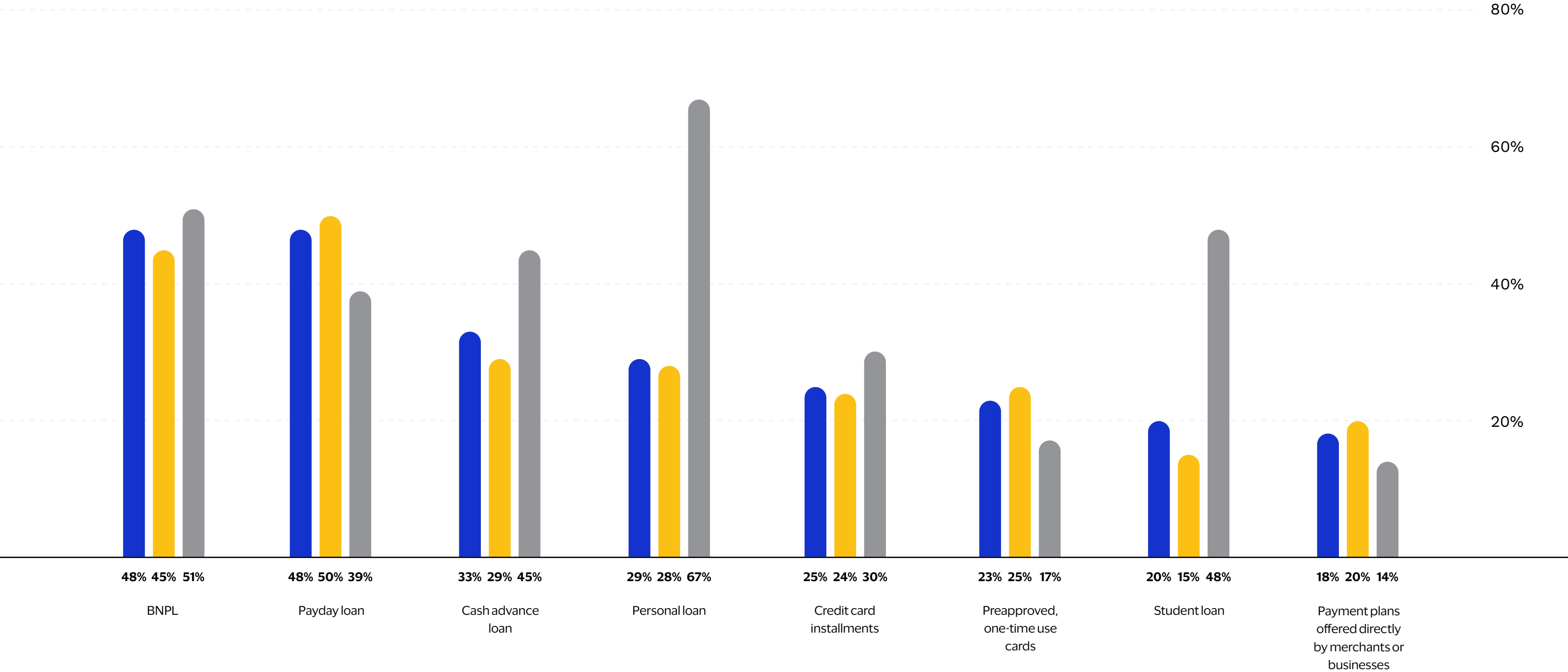
For those lending to SMBs, the biggest standout is embedded microloans and microfinance products. Two-thirds of lenders that offer no embedded lending are interested in rolling out these products to SMBs in the next two years — far more than the corresponding 39% of lenders that currently offer other embedded lending options but not microloans or microfinancing. Invoice financing represents another area where lenders that currently do not offer embedded lending display outsized interest compared to those that offer other embedded finance products, at 50% and 22%, respectively. Other SMB lending products that are attracting significant interest include BNPL, trade credit and credit card installments.

These preferences suggest that lenders not offering embedded lending recognize the opportunity in embedding various lending options, particularly small cash advances that are not tied to a specific purchase and can be allocated as desired, such as personal loans for consumers and microloans for SMBs.

**Figure 9:**  
**Interest in offering customer-facing embedded lending products**  
Share of lenders not currently offering select lending products that indicate interest in offering these products in an embedded format to consumers in the next two years, by embedded lending status

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N varies and represents lenders at least somewhat interested in offering embedded products that do not currently offer them to individual consumers, fielded Feb. 20, 2024 – March 15, 2024

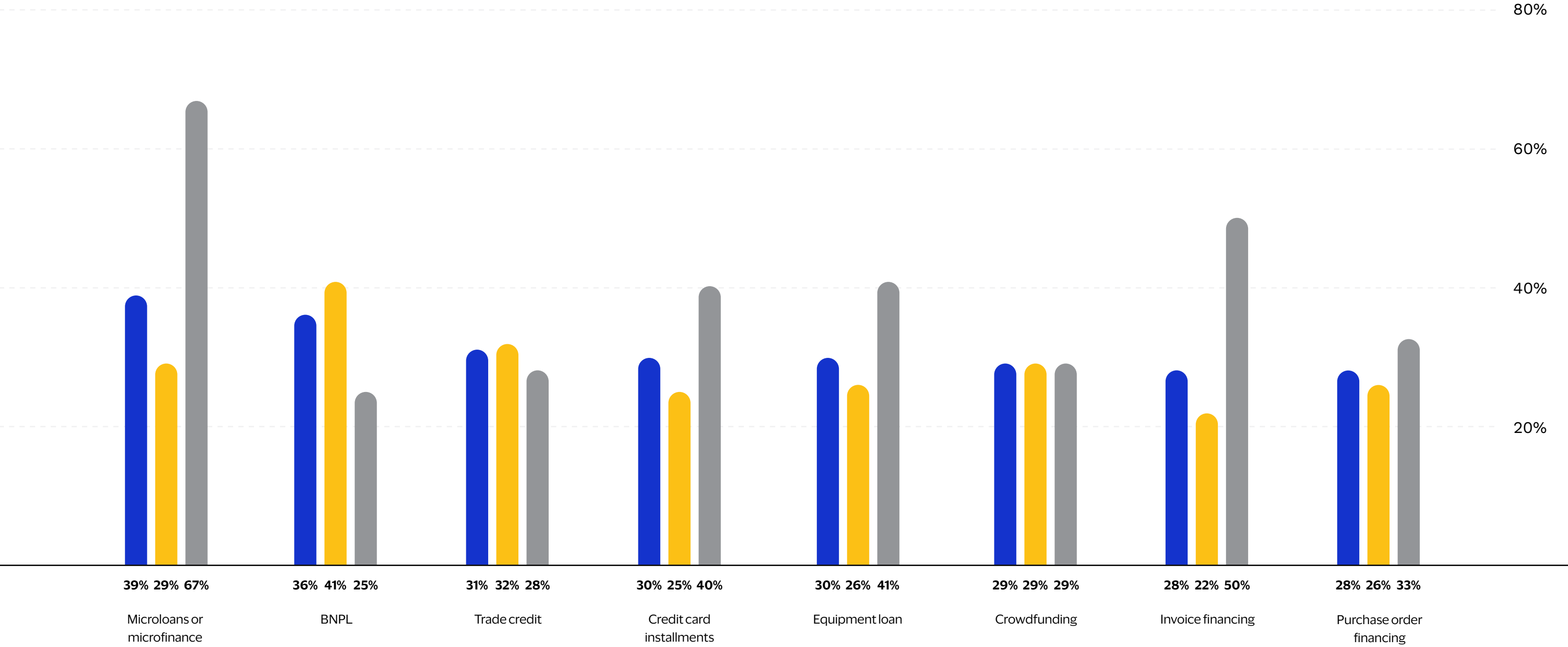
- Sample
- Embedded lending
- Other types of lending



**Figure 10:**  
**Interest in offering SMB-facing embedded lending products**  
Share of lenders not currently offering selected lending products that indicate interest in offering these products to SMBs in the next two years, by embedded lending status

Source: PYMNTS Intelligence  
**Embedded Lending: From the Lender's Perspective, May 2024**  
N varies and represents lenders at least somewhat interested in offering embedded products that do not currently offer them to SMBs, fielded Feb. 20, 2024 – March 15, 2024

- Sample
- Embedded lending
- Other types of lending





# Actionable insights



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## 01

**Embedded lending products have become a common offering for lenders that target consumers and SMBs alike.** That said, a sizable share of lenders remains on the sidelines, particularly when it comes to lending to SMBs. Providers should stop systematically overlooking SMBs relative to consumers — a trend we currently see across five of the six major economies covered in the study, including the U.S.



## 02

**The availability of embedded lending products does not meet the demand, marking an opportunity for lenders to bridge the divide.** Yet lenders — both those that currently offer embedded lending and those that do not — show relatively lukewarm interest in rolling out new embedded lending products in the next two years. Bucking this trend and offering more embedded lending products will likely position proactive lenders to benefit.



## 03

**External platform integrations represent a powerful way for lenders to create new products and reach new customers.** However, lenders that offer embedded lending widely underutilize channels such as eCommerce platforms and payroll platforms. This reflects an important missed opportunity as well as valuable untapped areas for growth.



## 04

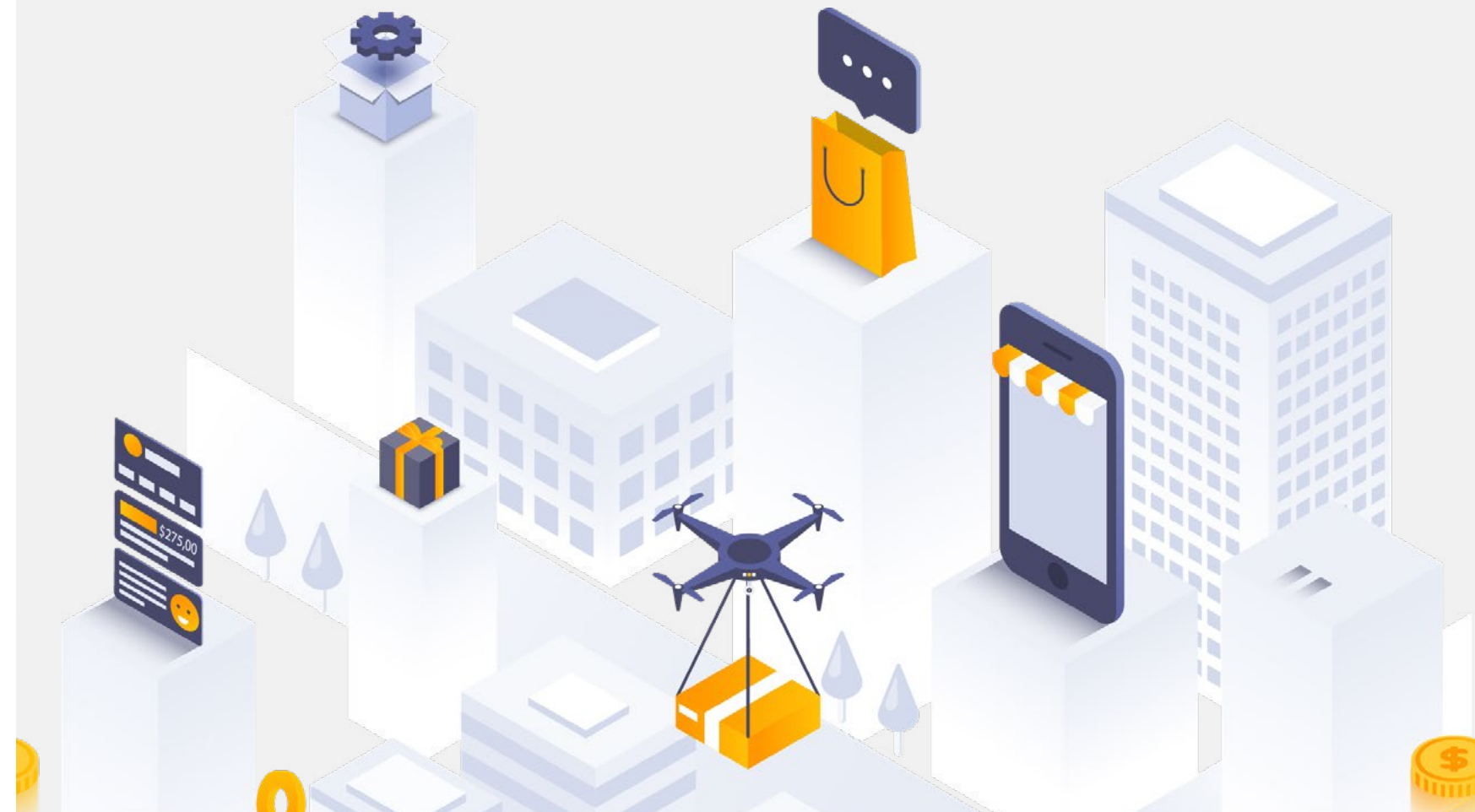
**Lenders that have not yet entered the embedded lending space point to several key obstacles that deter them from doing so.**

These include technology issues, operations and scalability challenges, and risk management, among others. Providers offering embedded lending solutions to lenders should address these concerns, considering that lenders in each of the six countries ranked their top challenges differently.



# Methodology

**E**mbedded Lending: From the Lender's Perspective is based on 361 responses from banks and FinTechs operating in the lending space from six different countries — Australia, Germany, India, Japan, the United Kingdom and the United States — conducted from Feb. 20 to March 15. The report explores providers' views toward embedded lending and surrounding issues. Our sample approach focused on collecting at least two-thirds of respondents from firms offering embedded lending to enable detailed analysis of this group of interest. There were no other restrictions, except for FinTechs that have been in business for less than a year, which were excluded.



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