

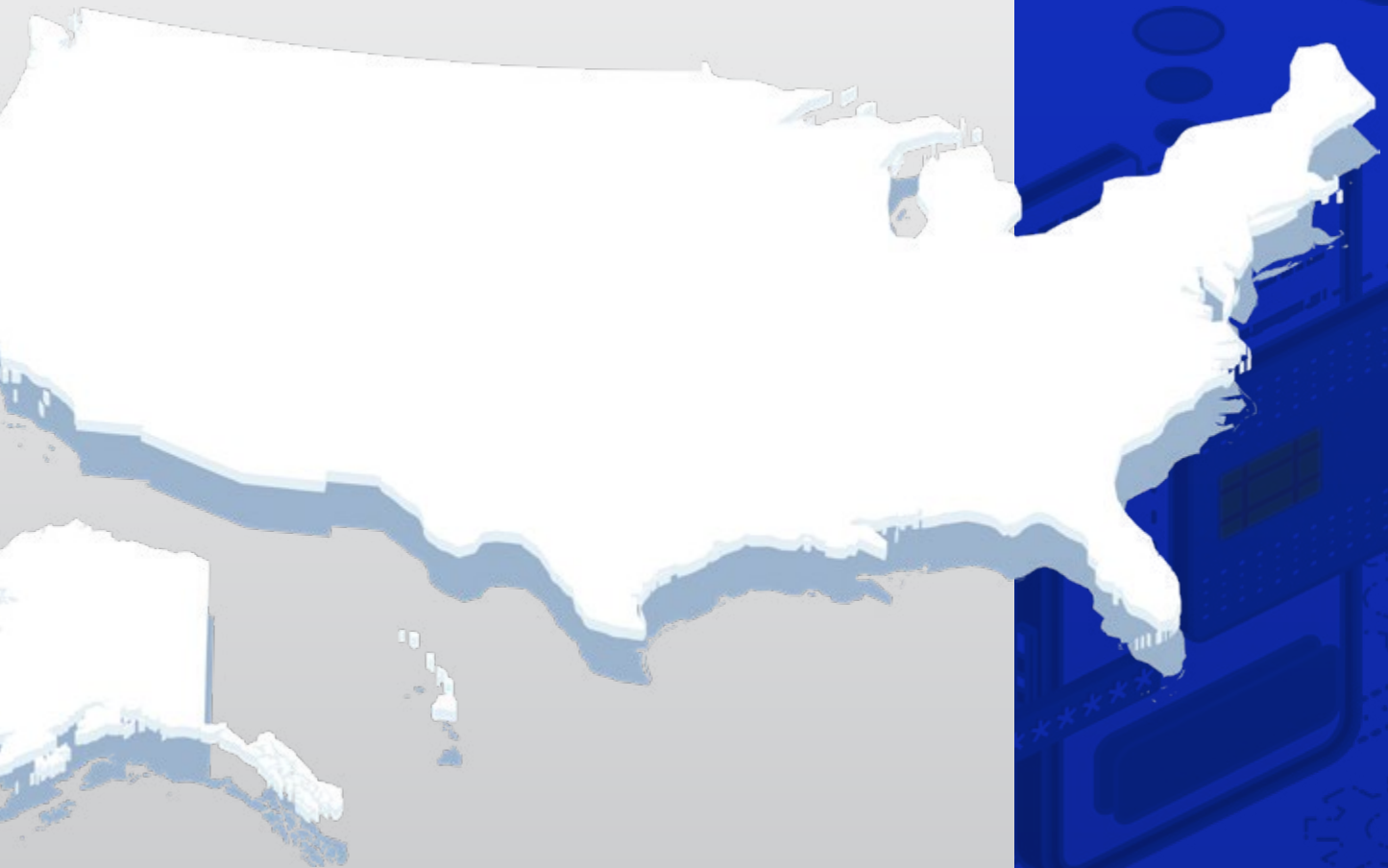
2024

---



U.S. Edition

# The Embedded Lending Opportunity



**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  
**How Embedded Lending Can Boost Growth and Stability for Small Businesses**  
[Click here to download](#)

The Embedded Lending Opportunity: U.S. Edition 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.

## The Embedded Lending Opportunity

 U.S. Edition



04  
**What's at stake**



06  
**Key findings**



25  
**Conclusion**



26  
**Methodology**

# What's **at stake**

**E**mbedded lending offers users a convenient, streamlined way to gain financing without leaving a checkout process or other platform. This method can help consumers and businesses simplify their financing activities, covering specific expenses with lending as needed but without separate credit applications or other steps. Ramping up embedded lending offerings and targeting higher-demand segments can help lenders reach new customers and expand revenue streams.

# 68%

Share of consumers who **experienced friction** related to embedded lending, among those who used or applied for embedded lending in the last 90 days

PYMNTS Intelligence's latest study finds that in the United States, sizable shares of the consumer and microbusiness and small business (MSB) segments have used embedded lending recently — in the last 90 days for consumers and the last 12 months for MSBs.<sup>1</sup> Embedded lending is especially popular among individuals and businesses that want to better align their cash flows and expenses. However, more than 8 in 10 consumers and MSBs that used embedded lending report experiencing friction, particularly with the application process.

These are just some of the findings detailed in *The Embedded Lending Opportunity: U.S. Edition*, a PYMNTS Intelligence and Visa collaboration. This report explores the state of embedded lending for both the consumer and MSB segments. It draws on a 360-degree study of lenders and end users (consumers as well as MSBs) conducted between Jan. 13 and March 15.

### **This is what we learned.**

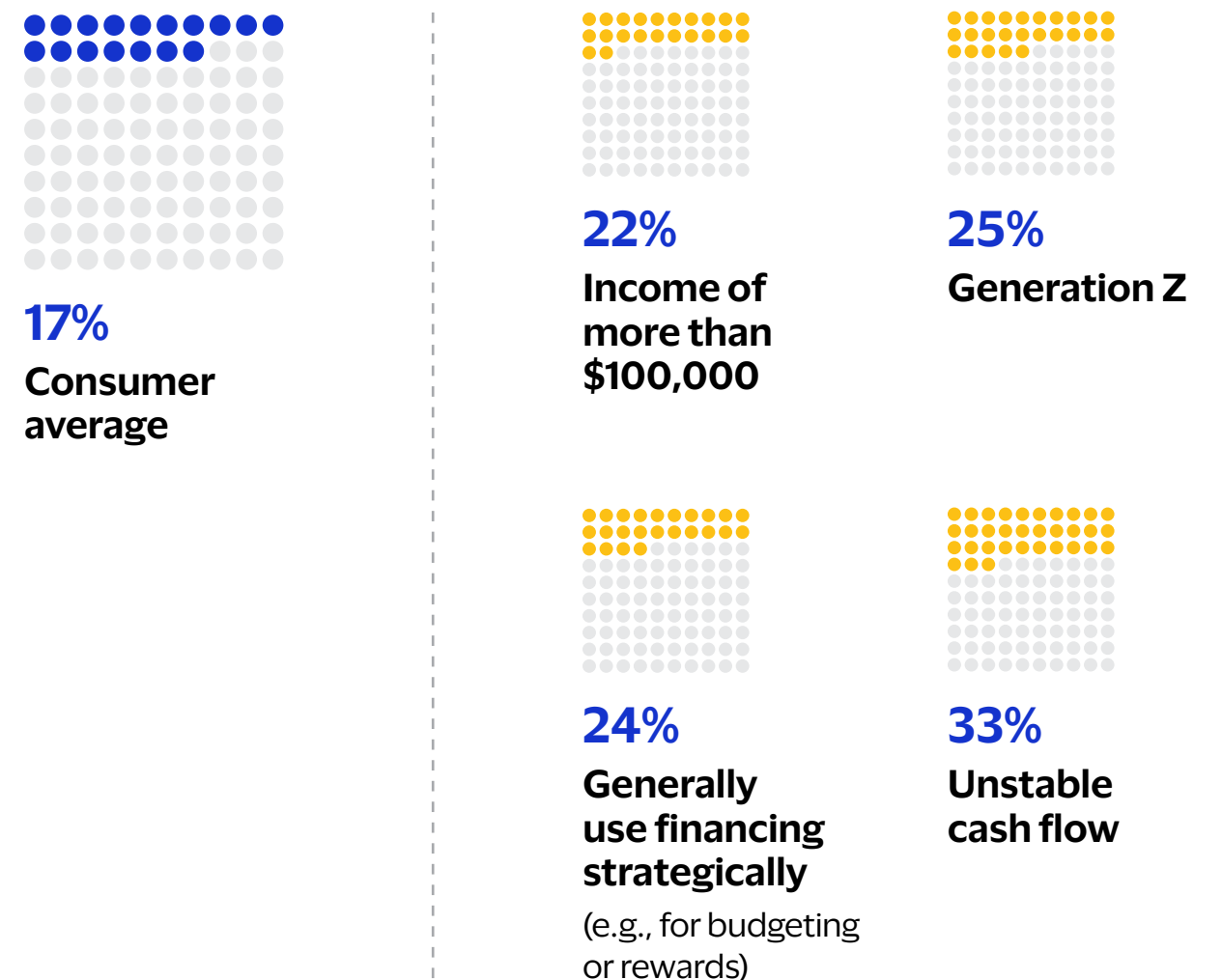
<sup>1</sup> In this study, "microbusinesses" are defined as businesses generating less than \$1 million in annual revenue and "small businesses" are defined as those generating between \$1 million and \$10 million in annual revenue. This report deliberately uses "MSB" to abbreviate these two types of firms to avoid confusion with the common abbreviation for small to mid-sized business.

## Embedded lending is highly appealing to U.S. consumers and MSBs that need to better align their cash flows with their need to make purchases.

Embedded lending has gained significant traction in the U.S. among individual consumers, and MSBs are exhibiting demand and interest at even higher rates. In the last 90 days, 17% of consumers have used an embedded lending product, while 20% of MSBs have used one in the last year. These results highlight the broad popularity of embedded lending and the need for lenders to offer compelling products. Results also highlight further growth potential — for example, 27% of consumers and 42% of MSBs would be very or extremely likely to switch to a provider offering embedded lending.

The study finds that embedded lending is especially popular among specific segments. On the consumer side, 25% of Generation Z respondents and 22% of individuals earning more than \$100,000 used embedded lending. Among MSBs, those making more than \$1 million in annual revenue and those that saw their net profits rise in 2023 are substantially more likely to have used embedded lending, at 27% and 26%, respectively.

**Figure 1:**  
Which consumer personas are more likely to use embedded lending?  
Share of U.S. consumers who used embedded lending



Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: U.S. Edition, July 2024**  
 N = 1,321: Complete U.S. consumer responses, fielded Jan. 22, 2024 – Feb. 13, 2024

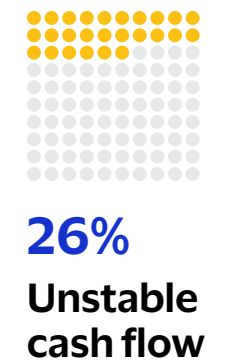
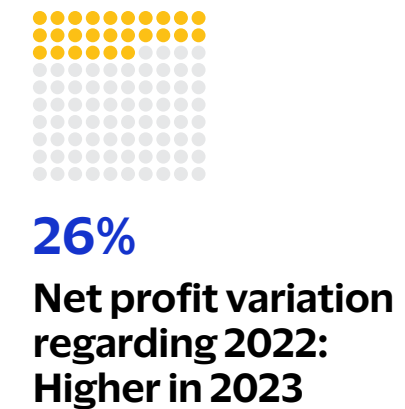
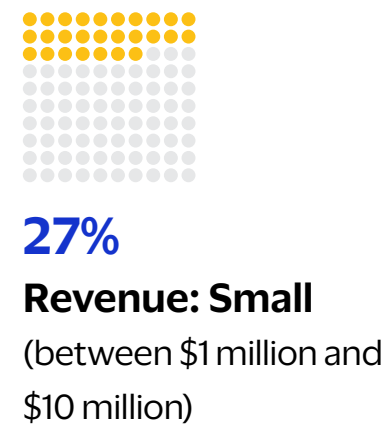
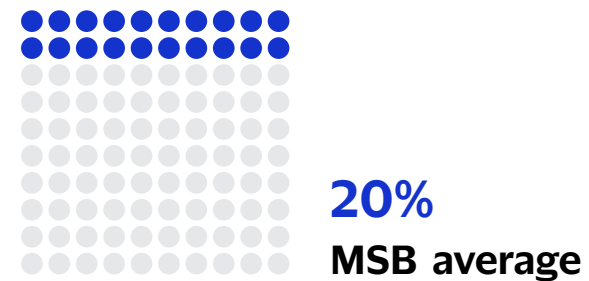


# 33%

Share of consumers with **unstable cash flows** who used embedded lending in the last 90 days

Cash flow stability, or the lack thereof, is a crucial driver of embedded lending use. This is particularly true for consumers: 33% of individuals with unstable cash flows used embedded lending in the last 90 days – nearly twice the average rate for consumers in our sample. MSBs exhibit a more moderate version of this trend, with 26% of those with unstable cash flows using embedded lending in the last year. Overall, these findings underscore the appeal of embedded lending to consumers and businesses that want to better align their cash flows with their purchases.

**Figure 2:**  
Which MSB personas are more likely to use embedded lending?  
Share of U.S. MSBs that used embedded lending



Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: U.S. Edition, July 2024**  
N = 519: Complete U.S. MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

## U.S. consumers and MSBs that use embedded lending report friction with applying for and using credit, especially in the application process.

While embedded lending options, such as BNPL, have become a core part of consumer and MSB lending in the U.S., modest current adoption rates reflect significant growth potential. To help reach new customers and retain existing ones, lenders need to understand that consumers and MSBs experience high rates of friction when applying for and using embedded lending products. Among consumers, 88% of those who applied for or used embedded lending in the last 90 days reported at least one cause of friction — a much higher rate than the 58% who reported friction with other types of lending. For MSBs, the rates are similar, at 87% for embedded lending and 68% for other types.

The application process and cost represent the greatest pain points in embedded lending for both consumers and MSBs. Forty-eight percent of consumers who used embedded lending in the last 90 days report issues related to the application process, and 37% of them consider cost to be a cause of concern. On the MSB side, 47% experienced friction with the application process, and 41% name cost as a concern.

Other key issues include problems with repayments and, in the case of MSBs, credit options and availability. The takeaway for lenders is that consumers and MSBs widely find embedded lending to be more troublesome to apply for and to use than traditional lending. This should not be the case, considering the natural advantages of embedded lending, which, by definition, provides convenient, streamlined access to financing options within platforms that borrowers already use.

# 48%

Share of MSBs that **experienced friction in the application process**, among those that used or applied for embedded lending in the last 12 months

**Figure 3:****Issues consumers face related to credit**

Share of consumers citing select issues they experienced related to using or applying for credit products in the last 90 days, by type of lending used

	Sample	Used embedded lending	Used other types of lending	Did not use any lending
Application process	<b>35.6%</b>	47.7%	28.1%	41.7%
Cost	<b>30.3%</b>	36.6%	27.2%	26.5%
Offers are not relevant	<b>21.3%</b>	26.4%	19.5%	12.8%
Repayment issues	<b>16.8%</b>	25.3%	10.9%	26.7%
Personal issues related to debt	<b>16.4%</b>	23.4%	12.7%	13.4%
Concerned about data security	<b>10.4%</b>	14.7%	7.2%	16.7%
Credit option availability	<b>8.8%</b>	13.0%	6.7%	7.2%
No frictions experienced	<b>31.6%</b>	12.4%	41.8%	36.7%

Source: PYMNTS Intelligence

**The Embedded Lending Opportunity: U.S. Edition, July 2024**

N = 1,321: Complete U.S. consumer responses, fielded Jan. 22, 2024 – Feb. 13, 2024

**Figure 4:****Issues businesses face related to credit**

Share of MSBs citing select issues they experienced related to using or applying for credit products in the last 12 months, by type of lending used

	Sample	Used embedded lending	Used other types of lending	Did not use any lending
Cost	<b>33.1%</b>	40.8%	30.5%	31.9%
Application process	<b>31.2%</b>	46.6%	29.4%	25.8%
Repayment issues	<b>25.4%</b>	39.8%	20.9%	22.7%
Offers are not relevant	<b>15.8%</b>	27.2%	11.8%	14.0%
Worry about overspending/debt	<b>27.4%</b>	21.4%	31.0%	27.1%
Credit option availability	<b>21.0%</b>	35.9%	17.1%	17.5%
Concerned about data security	<b>6.0%</b>	11.7%	4.3%	4.8%
Worry about lowering business's credit score	<b>9.2%</b>	21.4%	3.2%	8.7%
No frictions experienced	<b>29.1%</b>	12.6%	31.6%	34.5%

Source: PYMNTS Intelligence

**The Embedded Lending Opportunity: U.S. Edition, July 2024**

N = 519: Complete U.S. MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

## Nearly 4 in 10 U.S. lenders not currently offering embedded lending express strong interest in rolling out embedded products for MSBs.

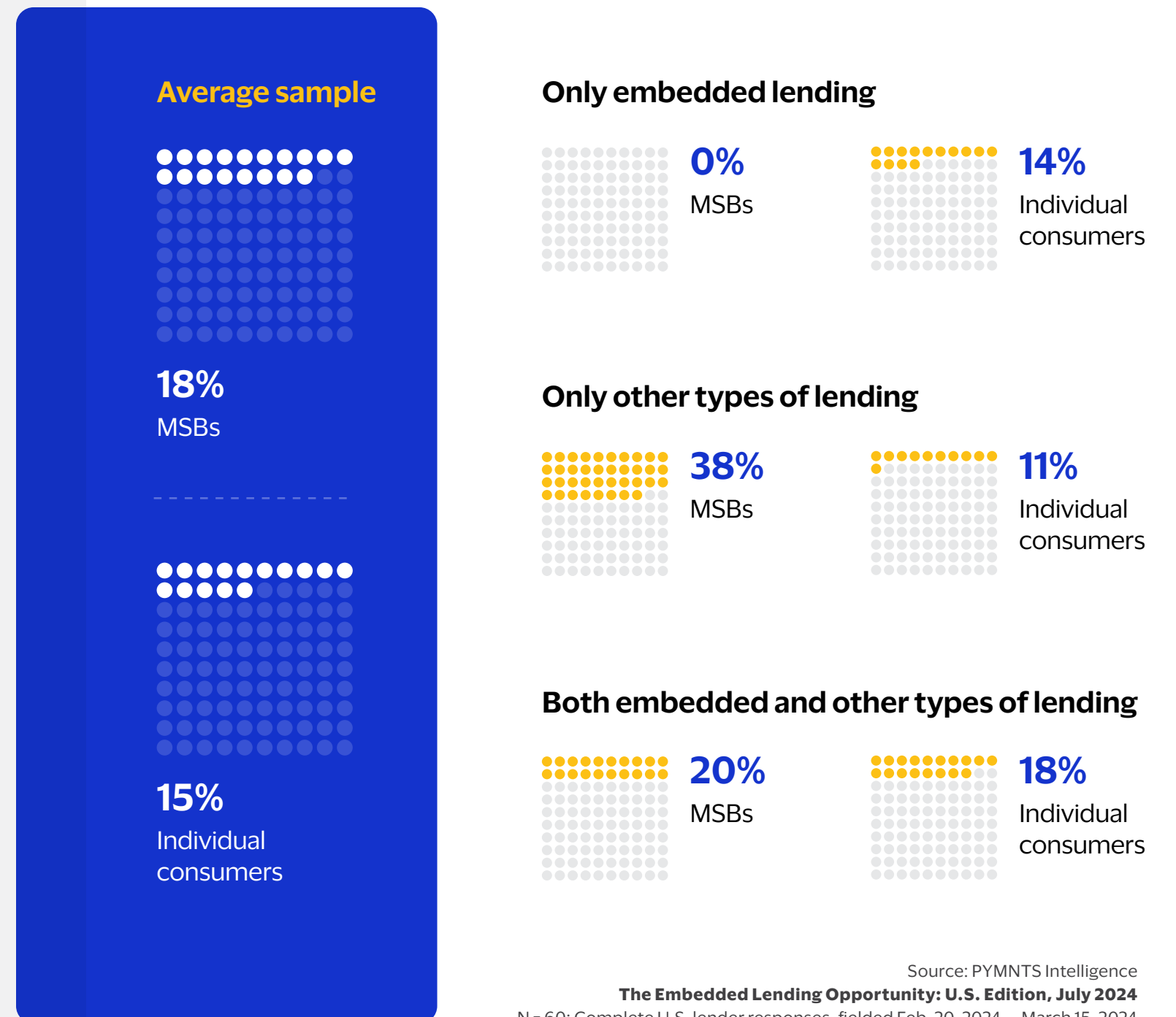
The data reveals modest interest among U.S. lenders in expanding their embedded lending offerings. Fifteen percent of lenders surveyed are very or extremely interested in launching new embedded lending products for consumers, climbing to 18% on the MSB side. The fact that only about one in six lenders indicates strong interest reflects a missed opportunity and points to challenges — whether perceived or actual — that embedded lending providers should seek to address.

The data does reveal one key pocket of robust interest. Three in eight lenders that do not currently offer any embedded lending products are very or extremely interested in rolling out offerings for MSBs. This suggests that many lenders see attractive growth potential in MSB lending and potentially speaks to a need for partnerships with FinTechs, networks or other partners to ultimately offer these embedded lending opportunities.

Figure 5:

### Lenders' interest in embedded lending innovation for consumers and MSBs

Share of lenders who are very or extremely interested in offering new embedded lending products to consumers or MSBs in the next two years



Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: U.S. Edition, July 2024**  
 N = 60: Complete U.S. lender responses, fielded Feb. 20, 2024 — March 15, 2024

U.S. lenders that do not currently offer embedded lending cite a range of challenges that hinder them from doing so. These include regulatory compliance, the highly competitive landscape and concerns about ensuring consumer education on using embedded lending responsibly.

“Accommodating the regulations to our already-run operations, **which takes time and makes the process slower.**”

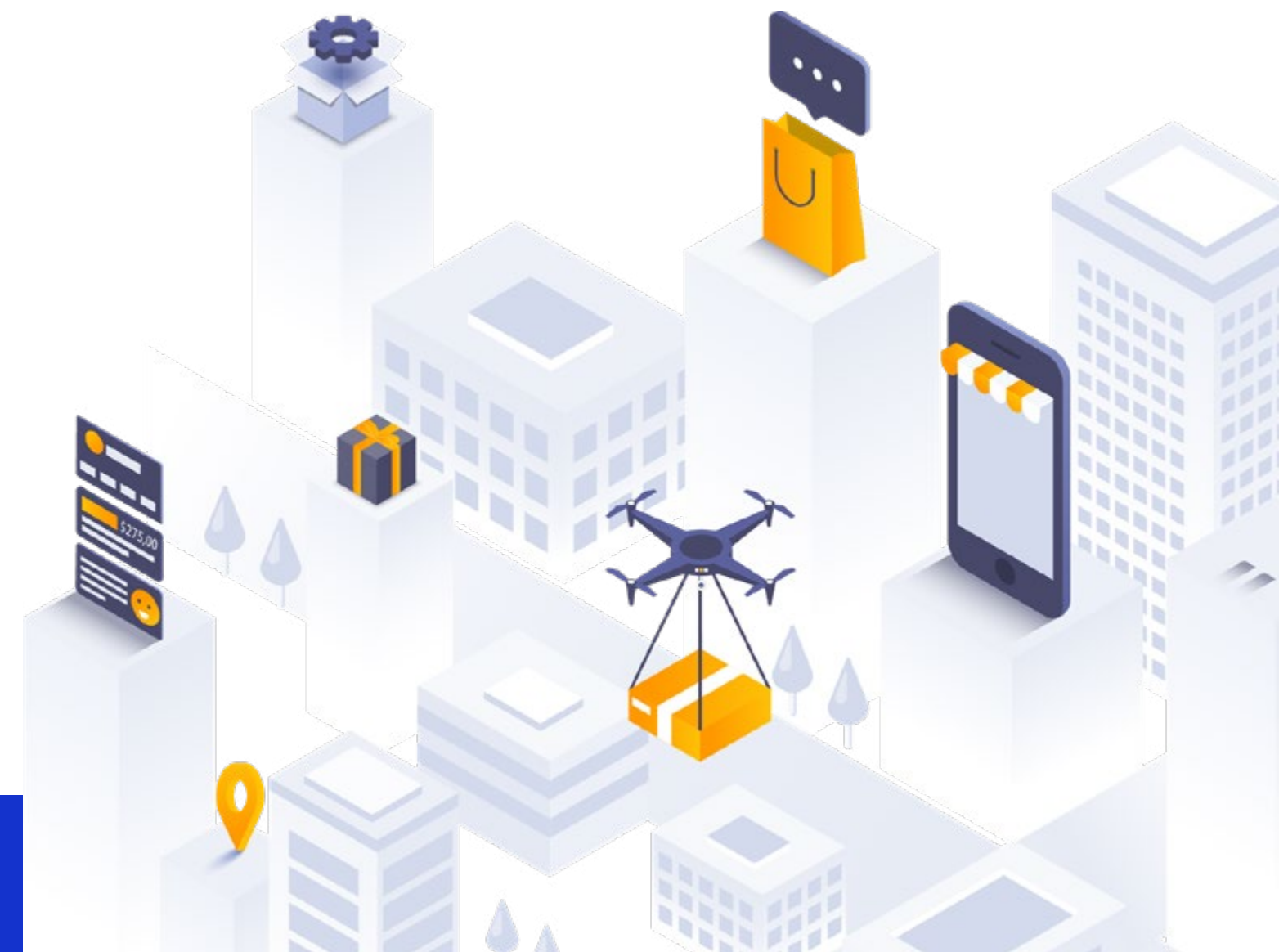
– Executive from a FinTech generating \$1 billion or more in annual revenue

“**Educating borrowers** about lending products to ensure informed decision-making.”

– Executive from a FinTech generating \$50 million to \$100 million in annual revenue

“**Being competitive** with better offers in the market regarding lending products with effective marketing.”

– Executive from a large international bank with \$100 billion to \$500 billion in assets.



## Most U.S. consumers and MSBs with experience using embedded lending are highly likely to switch to a provider that offers embedded lending.

Existing familiarity with embedded lending can play a powerful role in driving further use. The study finds that 55% of U.S. consumers and 66% of MSBs that have used embedded lending would be very or extremely likely to switch banks, merchants or financial service providers to access embedded lending options. This is much higher than the corresponding share of individual and MSB respondents who did not use embedded lending: 25% and 40%, respectively. Beyond a simple repeat-customer phenomenon, these findings emphasize the importance of marketing and outreach efforts that help to educate target customer segments about embedded lending's benefits.

The data also reveals other important trends. For example, consumers and MSBs with unstable cash flows or even occasional cash crunches are much more likely to switch to providers that offer embedded lending than their counterparts with stable cash flows.

For MSBs, the scale of revenue also plays a substantial role, with 55% of small businesses generating more than \$1 million a year expressing strong interest, versus 35% of microbusinesses generating less than \$1 million in revenue. Conversely, income level has little influence on the consumer side, with similar rates across the low-income, medium-income and high-income brackets.

# 66%

Share of MSBs that would be **highly likely to switch providers** to access embedded lending options, among those that used embedded lending in the last 12 months



**Figure 7A:**

**Willingness to switch**

Share of consumers very or extremely likely to switch to a provider (bank, merchant, or financial services provider) that offers embedded lending options

Source: PYMNTS Intelligence

**The Embedded Lending Opportunity: U.S. Edition, July 2024**

N = 1,321: Complete U.S. consumer responses, fielded Jan. 22, 2024 – Feb. 13, 2024

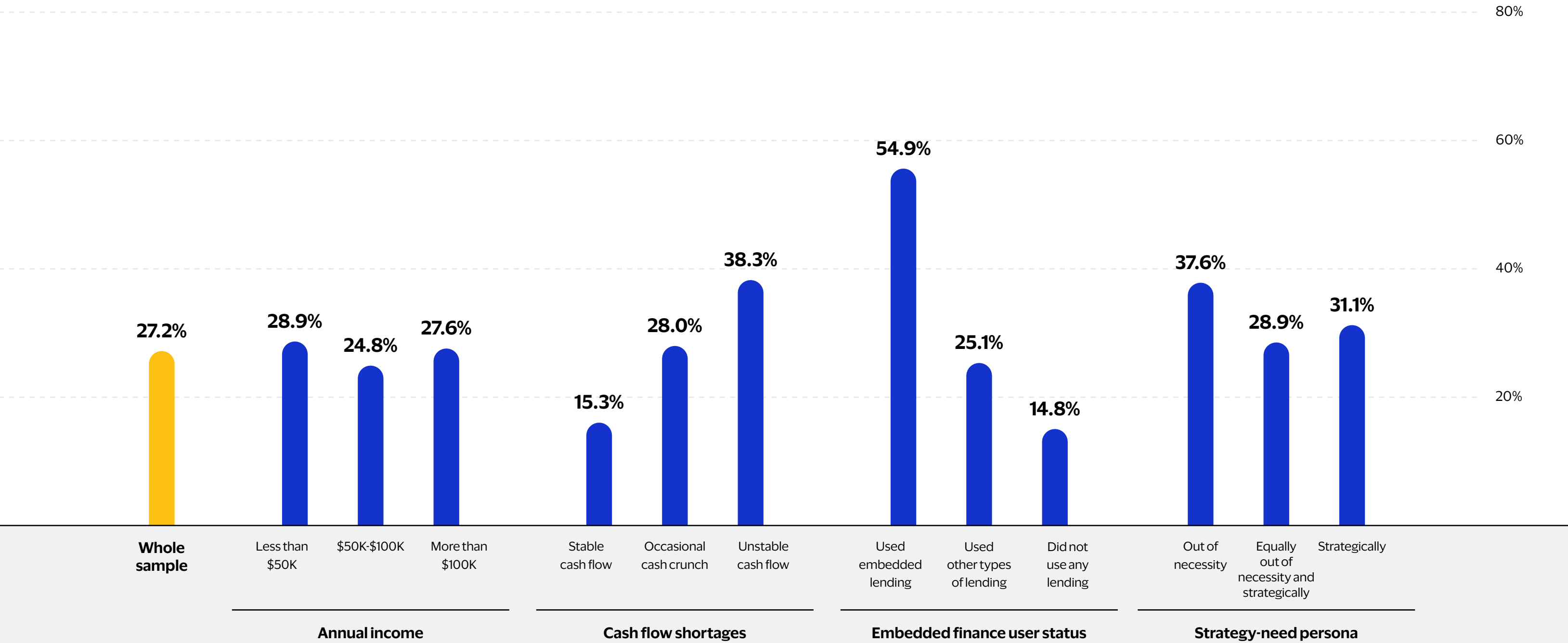


Figure 7B:

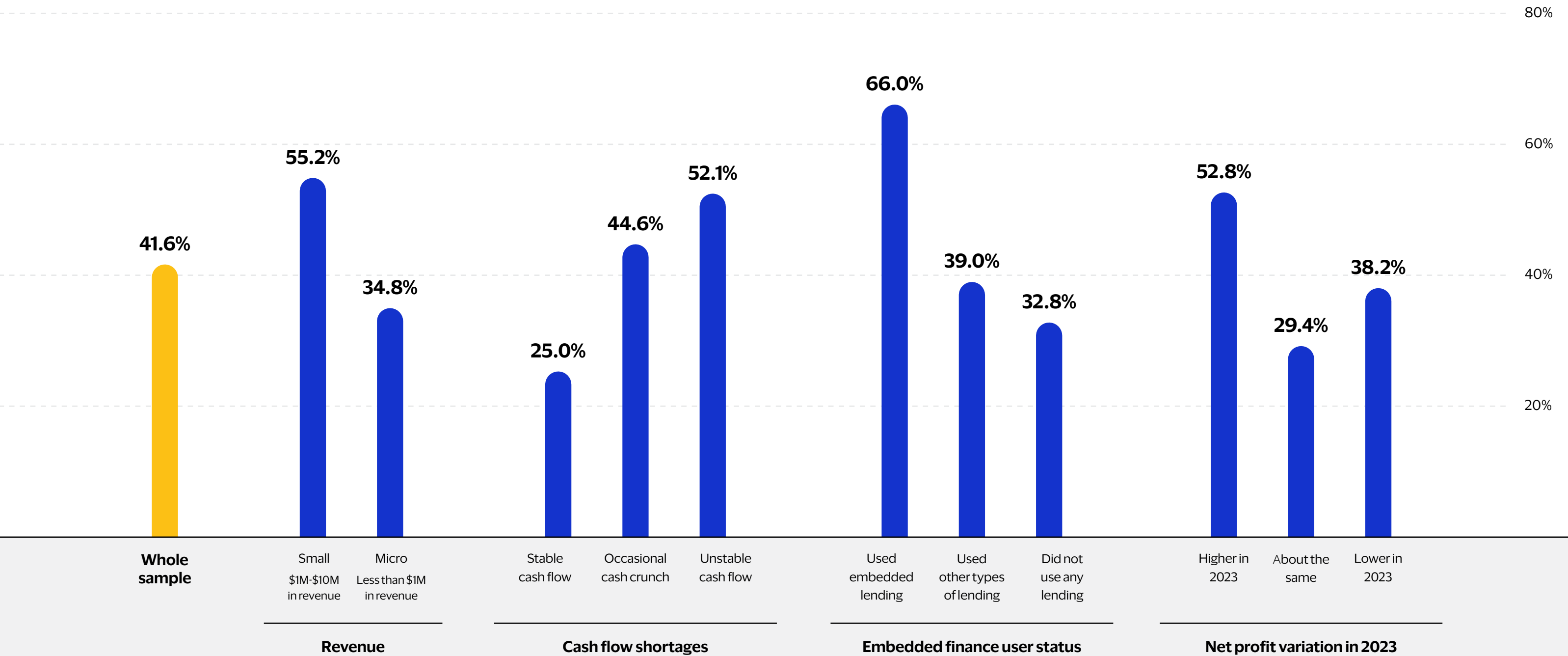
**Willingness to switch**

Share of MSBs very or extremely likely to switch to a provider (bank, merchant, or financial services provider) that offers embedded lending options

Source: PYMNTS Intelligence

**The Embedded Lending Opportunity: U.S. Edition, July 2024**

N = 519: Complete U.S. MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024





# Conclusion

**E**mbedded lending already plays a vital part in U.S. consumer and MSB lending, but it has the potential to go much further. Individuals and businesses with unstable cash flows show especially robust appetites for embedded lending products, which can help them finance specific purchases and expenses as needed, smoothing out bumps in cash flow. The current use rates of embedded lending fall somewhat short, however, and lenders must address major causes of friction, particularly in the application process.

Embedded lending providers must also understand critical roadblocks that deter lenders from embracing this powerful technology. Because consumers and MSBs that have previously used embedded lending show a strong preference for lenders that offer it, banks and other providers that fail to do so may increasingly find themselves left behind.

# Methodology

**T**he Embedded Lending Opportunity: U.S. Edition is based on a 360-degree study of lenders (FinTechs, FIs) and end users (consumers as well as MSBs) that are the targets of embedded finance products as part of their purchasing experiences. This brief examines the state of play for embedded lending in the U.S. for both the consumer and MSB segments.

Analysis for lenders is based on 60 responses from banks and FinTechs operating in the lending space in the U.S. gathered from Feb. 20 to March 15. For consumers, we draw on a census-balanced survey of 1,321 consumers in the U.S. conducted from Jan. 22 to Feb. 13., 2024. On the MSB side, the analysis is based on a survey of 519 microbusinesses and small businesses in the U.S. conducted between Jan. 19 and Feb. 26 across multiple industries, including technology, construction and building materials, retail, financial services, and manufacturing.

Figure A1:

## Number of businesses surveyed With revenue band definitions

	N	Revenue bracket
• Microbusiness	345	Less than \$1M
• Small business	174	\$1M to \$10M

Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: U.S. Edition, July 2024**  
 N = 519: Complete U.S. MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

## The PYMNTS Intelligence team that produced this report

**Karen Webster**  
CEO

**Scott Murray**  
SVP and Head of Analytics

**Yvonne Markaki, PhD**  
SVP, Data Products

**Daniel Gallucci**  
Senior Writer



Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network — enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device, for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit [www.visa.com](http://www.visa.com), <https://usa.visa.com/solutions/visa-business-solutions.html> and [Visa Commercial Solutions: Overview | LinkedIn](#).



[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts, and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

The Embedded Lending Opportunity: U.S. Edition may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.