Credit, Growth and FinTech

How have regulations impacted the availability of credit and business growth? How can fintech help?

Steve Strongin, Head of Global Investment Research and the Global Markets Institute, Goldman Sachs

May 24, 2018
Rising rates in markets most exposed to regulatory change

Source: Goldman Sachs Global Markets Institute.
The differential between high- and low-FICO mortgages post-crisis

Source: eMBS, Goldman Sachs Global Markets Institute.
Financing options during the lifecycle of a business

<table>
<thead>
<tr>
<th>Life Cycle Stage</th>
<th>Revenue¹</th>
<th>External Financing Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit (IPOs, strategic acquisitions, etc.)</td>
<td>$25+ million</td>
<td>✓</td>
</tr>
<tr>
<td>Maturity</td>
<td>$20 - 25 million</td>
<td>✓</td>
</tr>
<tr>
<td>Expansion</td>
<td>$15 - 20 million</td>
<td>✓</td>
</tr>
<tr>
<td>Growth²</td>
<td>$5 - 15 million</td>
<td>✓</td>
</tr>
<tr>
<td>Start-up</td>
<td>Under $5 million</td>
<td>✓</td>
</tr>
</tbody>
</table>

For illustrative purposes. This chart represents discussions with small business owners on their experiences with accessing capital, as opposed to the actual technical requirements for financing.

1 Revenue minimums may vary due to state laws and requirements from lending institutions. Additional factors on a case-by-case basis may include FICO score, assets, collateral (such as real estate properties), receivables, level of debt incurred, profitability, revenue growth speed, and industry type.

2 The lighter shading for companies in the growth stage represents requirements to provide additional pledged assets and personal guarantees when applying for secured bank lending options.

3 Maximum revenue and employee size for an SBA 7(a) loan varies by industry. For certain industries, such as specific types of farming, the maximum revenue to qualify as a small business can be as low as $750,000. In addition to the SBA 7(a), the SBA also administers a variety of other types of loans, including the SBA 504 loan, microloans, and disaster loans.

Source: Small Business Administration, Goldman Sachs Global Markets Institute.
Business survival rates since founding year

The learning curve as a competitive advantage

Source: Goldman Sachs Global Markets Institute.