# Main Street businesses embrace digital transformation with AI and embedded finance



Main Street businesses are undergoing a significant digital transformation, particularly among small to medium-sized enterprises (SMBs), which are increasingly embracing artificial intelligence (AI) and embedded finance solutions to improve their operations. The changes come in response to challenges these businesses have faced, such as navigating the post-pandemic landscape and managing economic uncertainties, as reported by PYMNTS.com.

Key developments in 2024 indicate that SMBs are beginning to turn the corner, leveraging innovative technologies to redefine their business models. Embedded finance has emerged as a pivotal element of this transformation, offering a suite of integrated financial services—including lending, payments, and insurance—within non-financial service platforms. This integration not only streamlines transactions but grants SMBs access to much-needed financial tools directly within their operational workflows. A significant finding from a PYMNTS Intelligence report highlights that 37% of SMBs are eager to explore embedded lending options, evidencing a marked interest in enhanced financial solutions.

In particular, the ability to share data plays a crucial role in improving credit solutions for SMBs. According to another PYMNTS Intelligence report, SMBs agreeing to data sharing not only gain access to more tailored credit options but also report greater satisfaction with their borrowing experiences. Crucially, access to credit remains a pressing concern for SMBs, with those without it expressing fivefold more concern for their business survival compared to their counterparts with financial access.

Alongside embedded finance, AI is emerging as an essential tool for SMBs, allowing for more informed decision-making, automation of routine tasks, and enhanced customer engagement. The PYMNTS Intelligence report titled “SMBs Race to Critical Mass on AI Usage” indicates that 96% of SMBs that implemented AI tools perceive it as an effective means to streamline operations. Furthermore, firms with higher revenue levels are reportedly twice as likely to leverage AI compared to those with stagnant or declining revenues.

AI tools are reshaping financial management for SMBs by improving tasks such as cash flow forecasting—providing algorithms capable of predicting revenue fluctuations—while simultaneously enhancing security through advanced fraud detection systems. Notable figures, such as Andre Machicao from Visa Acceptance Solutions and Josh Scheer of White Lotus Travel Design, have acknowledged that AI can facilitate rapid creation of marketing materials and streamline various operational tasks, suggesting that its deployment can yield significant efficiency gains for SMBs.

Despite these advancements, a degree of hesitancy remains among SMBs concerning AI adoption, mainly attributable to worries over costs and complexity associated with implementation. This factor underlines the necessity of a solid digital foundation, as emphasised by Adam Hughes, CEO of Amount, who stated that world-class digital capabilities are now "table stakes" for banks, particularly as SMBs search for effective lending solutions.

In addition to AI and embedded finance, the mortgage industry is witnessing a resurgence in interest towards technology and automation, particularly against the backdrop of recovering lending volumes. As highlighted by National Mortgage News, venture capital investment in mortgage technology is experiencing significant growth in 2024, facilitating innovations aimed at improving the borrower experience and operational efficiencies. Nima Ghamsari, CEO of Blend, noted that the investment landscape is shifting, with technology now viewed as vital for enhancing customer management within a competitive lending environment.

A focus on consumer-centric innovation is becoming paramount, with industry experts such as Mike Peretz from Capco underscoring the need for tools that identify potential borrowers and help them prepare for homeownership. The integration of AI in the mortgage sector is expected to evolve further, enhancing processes around loan origination and document management.

Moreover, the accessibility and affordability of AI technologies are on the rise, providing businesses with practical solutions for alleviating repetitive manual tasks. Ghamsari remarked that businesses are increasingly recognising the tangible benefits AI brings to their operations, emphasizing its capacity to fulfil an array of functions efficiently.

With a significant political shift expected in the upcoming year, stakeholders in the mortgage sector are preparing for increased fintech investment driven partly by anticipated regulatory changes. However, any technological advancements must prioritize user experience, as Michael Tannenbaum from Figure Technologies pointed out, stressing the importance of a seamless interaction for borrowers with the employed technologies.

In conclusion, the evolving landscape is marked by the transformative capabilities of AI and embedded finance within SMBs and the mortgage sector, forging pathways to improved efficiency, enhanced customer experiences, and ultimately, business growth.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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