



Q1 2026 Small Business Health Index



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Executive Summary

Small businesses have always been the backbone of the American economy. But understanding how they're actually doing; their revenues, their credit health, their readiness to grow has historically been a black box. That's what the 1West Small Business Health Index is designed to change.

Every quarter, 1West analyzes the financial profiles of small businesses seeking capital through our marketplace. The result is a composite score, built from application data (not surveys or estimates) that reflects the true health of American small businesses at a given moment in time.

In Q1 2026, that score is 68.9 out of 100.

It's a strong number, and it reflects something genuinely encouraging: the businesses seeking financing this quarter were the most qualified cohort we've ever observed. But the data also surfaces something more complicated: a widening gap between that demonstrated strength and actual access to capital. We call it the Confidence Gap.

Applicant Health Overview

The businesses that came to 1West in Q1 2026 weren't just more numerous, they were more established. The average applicant had been in business for 8.33 years, up from 7.51 years in Q4 2025 and the highest figure in our five-quarter dataset. These weren't startups chasing early capital, they were mature businesses with track records, making deliberate decisions about financing.

Their financials reflected that maturity. Average annual revenue reached \$926,000 in Q1 2026: a 20% jump from \$773,000 the prior quarter and well above the \$742,000 low recorded in Q2 2025. For context, that places the average Q1 2026 applicant nearly at the top of 1West's typical customer range, suggesting that larger, more established businesses are increasingly turning to marketplace lending as a financing channel. Credit health followed the same upward trajectory. The average credit score among Q1 2026 applicants was 602 — up 11 points from Q4 2025 and the highest in our dataset. Combined with a Credit Readiness Score of 69.7%, which accounts for the full profile of an applicant's financing eligibility, Q1 2026 applicants were better positioned for approval than any cohort we've observed.

Taken together, the four components of the SBHI score (revenue, credit score, time in business, and credit readiness) all moved in the same direction in Q1 2026. That kind of alignment across every health indicator is rare, and it's what drove the index to 68.9 this quarter.

Funding Activity



Demand for small business financing surged in Q1 2026. Total applications through 1West's marketplace reached 46,001 (the highest single-quarter volume in our recorded dataset), representing a 33% increase over Q4 2025 and a 40% increase over Q1 2025. The direction is unambiguous: more small businesses are actively seeking capital, and they are seeking it with greater urgency than at any prior point in this index.

The composition of that demand is equally notable. These were not exploratory inquiries from businesses testing the waters. The average applicant in Q1 2026 had nearly a decade of operating history, revenues approaching \$1 million annually, and a credit profile stronger than any prior cohort in our data. In short: the pipeline was deep, and the businesses in it were ready.

The Confidence Gap emerges here most clearly. Applicant quality and application volume both reached new highs in the same quarter (a combination that, under normal conditions, would signal a strong funding environment). Instead, the gap between qualified demand and capital deployment widened. The reasons are likely external to the businesses themselves: broader lending caution, macroeconomic uncertainty, or tightening criteria at the institutional level. What the data makes clear is that the constraint is not on the borrower side.

The Confidence Gap

There is a term for what the data describes this quarter: the Confidence Gap.

On one side of it sits the strongest cohort of small business applicants in 1West's marketplace history (higher revenues, better credit, more years in business, and a record number of them showing up). On the other side sits a funding environment that, by the numbers, did not expand to meet them.

This is not a story about unqualified borrowers being turned away. The businesses in Q1 2026 were not marginal applicants. They were mature operators with nearly a decade of experience on average, revenues approaching \$1 million, and credit profiles that scored 68.9 on the inaugural SBHI (a composite index designed specifically to measure the health and readiness of businesses seeking financing).

The gap, then, is not about borrower quality. It is about the distance between demonstrated readiness and actual access to capital.

What explains it? The data does not say definitively. Macroeconomic conditions remain unsettled. Institutional lending standards have tightened across the industry (not just in marketplace lending).

Businesses themselves may be navigating more conservative expectations about what they can qualify for, even when the numbers suggest otherwise. Any one of these forces, or some combination of all three, could account for what we are seeing.

What the SBHI can say with confidence is this: the businesses are ready. The gap is worth closing.



Closing the Gap

“When we started building 1West, the problem was obvious to anyone paying attention. Small businesses were healthy, ambitious, and ready to grow. However, the system wasn't built for them. Banks were slow. Processes were opaque. Capital flowed to the businesses that needed it least.

A lot has changed. And a lot hasn't.

What the Q1 2026 Small Business Health Index shows us is that today's small business owners are, by almost every measure, in the strongest financial position we've seen. Higher revenues. Better credit. More years of experience. These are not risky borrowers. These are proven operators.

And yet, the gap between their readiness and their access to capital is wider than ever. That gap is not inevitable. It's a solvable problem; one that requires lenders who are willing to look at the full picture, platforms that bring options and transparency to the table, and entrepreneurs who know their numbers and advocate for what they've earned.

At 1West, we see closing that gap as our job. Not someday. Now.

The data in this report is a starting point. Every quarter, we'll be watching these numbers — not just to report on them, but to ask ourselves whether we're doing enough to move them in the right direction.

The businesses are ready. Let's meet them there.”

— Kunal Bhasin



Methodology



The 1West Small Business Health Index is a quarterly composite score measuring the financial health and financing readiness of small businesses seeking capital through 1West's marketplace. The index draws exclusively from 1West's internal application data (anonymized and aggregated) and is intended to provide a consistent, comparable benchmark across quarters.

The SBHI score is calculated on a 0 to 100 scale using four equally validated components, each normalized against fixed absolute ranges that reflect the realistic spectrum of small business applicants in the marketplace lending space.

The four components and their weights are as follows: Credit Readiness Score (40%), which measures an applicant's overall eligibility profile as assessed by 1West's marketplace funders; Average Annual Revenue (25%), normalized against a range of \$0 to \$1,000,000; Average Credit Score (25%), normalized against the standard FICO range of 300 to 850; and Average Time in Business (10%), normalized against a range of 0 to 20 years.

Each component is normalized to a 0 to 10 value before weighting. The resulting weighted sum produces the final SBHI score for the quarter.

Data for Q1 2026 reflects applications received January 1 through March 23, 2026. The remaining days of the quarter are not expected to materially alter the index score or the trends described in this report.

All figures are averages across the full applicant pool for the period unless otherwise noted. Individual outcomes vary.