



**FINREGLAB LAUNCHES NEW INITIATIVE & REPORT ON SMALL BUSINESS FINANCIAL HEALTH MEASUREMENT USING CASH FLOW DATA**

WASHINGTON, D.C., April 16, 2026 – New research from FinRegLab highlights how bank transaction data can transform how financial institutions measure and support small business financial health.

The report, "[Measuring Small Business Financial Health with Cash Flow Data](#)," lays the foundation for a new FinRegLab initiative that will analyze longitudinal banking data from small businesses, with an initial focus on borrowers served by community development financial institutions (CDFIs). The research will assess how cash flow data can be used to develop more precise, real-time indicators of business performance and resilience, evaluate the impact of loan capital on business outcomes, and better understand how entrepreneurship contributes to household financial stability and wealth-building.

"Small businesses are central to economic growth and household financial security, but we still lack consistent, actionable ways to measure their financial health and support their resilience," said FinRegLab CEO Melissa Koide. "This research initiative will explore how cash flow data can help fill those gaps and support more effective financial services for entrepreneurs."

Small businesses employ nearly half of American workers and play a critical role in job creation and wealth-building, yet many struggle with volatile cash flows, limited financial buffers, and challenges accessing appropriate capital—particularly in their early years. These dynamics are especially pronounced for entrepreneurs in low- and moderate-income communities, where financial instability can have broader implications for household resilience and economic security.

***Market Context Report***

The report proposes a new framework for using cash flow data to better understand small business financial conditions, including key dimensions of revenue stability, expense management, savings, debt use, and the ability to generate reliable income for business owners. The framework adapts concepts from consumer financial health measurement while accounting for business-specific factors such as revenue volatility, liquidity needs, and the role of the business as a source of household income.

Advances in digital banking and open data infrastructure are making it increasingly feasible to analyze transaction-level data for a broad range of borrowers, offering objective insights into cash flow patterns, financial resilience, and business performance that are difficult to capture through surveys or point-in-time financial analyses. This enables a shift in financial health measurement from population-level summary statistics to actionable and longitudinal insights at the individual or small business level, and addresses limitations with existing approaches in data accuracy, representativeness, and the ability to capture changes over time.



The report outlines a set of candidate metrics derived from transaction data—including measures of revenue and profitability, liquidity management, savings, debt use, and income generation for business owners—that will be tested in the next phase of research. The empirical research will evaluate how transaction data can complement or replace traditional data sources such as customer surveys, tax records, and credit reports.

### ***Broader Project***

The forthcoming quantitative research will analyze longitudinal transaction data from CDFI borrowers to evaluate how financial health evolves over time, assess the impact of loan capital and financial services on business outcomes, and explore the relationship between small business performance and household financial wellbeing. CDFIs offer a strategic segment for early testing of this approach to financial health measurement, as they serve a disproportionate share of smaller and underserved businesses, have already begun incorporating cash flow data into their underwriting processes, and focus on impact measurement and support for entrepreneurs.

FinRegLab will engage financial institutions, policymakers, and other stakeholders to explore opportunities and challenges for wider adoption of small business financial health measurement. This includes examining the business case for more robust financial health measurement in areas such as supporting customer acquisition and retention, enabling more tailored product design, and improving risk management through earlier identification of risk.

### **About FinRegLab**

FinRegLab is a nonprofit, nonpartisan innovation center that tests new technologies and data to increase access to responsible financial services that help drive long-term economic security for people and small businesses. With our research insights, we facilitate discourse across the financial ecosystem to inform market practices and policy solutions.

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