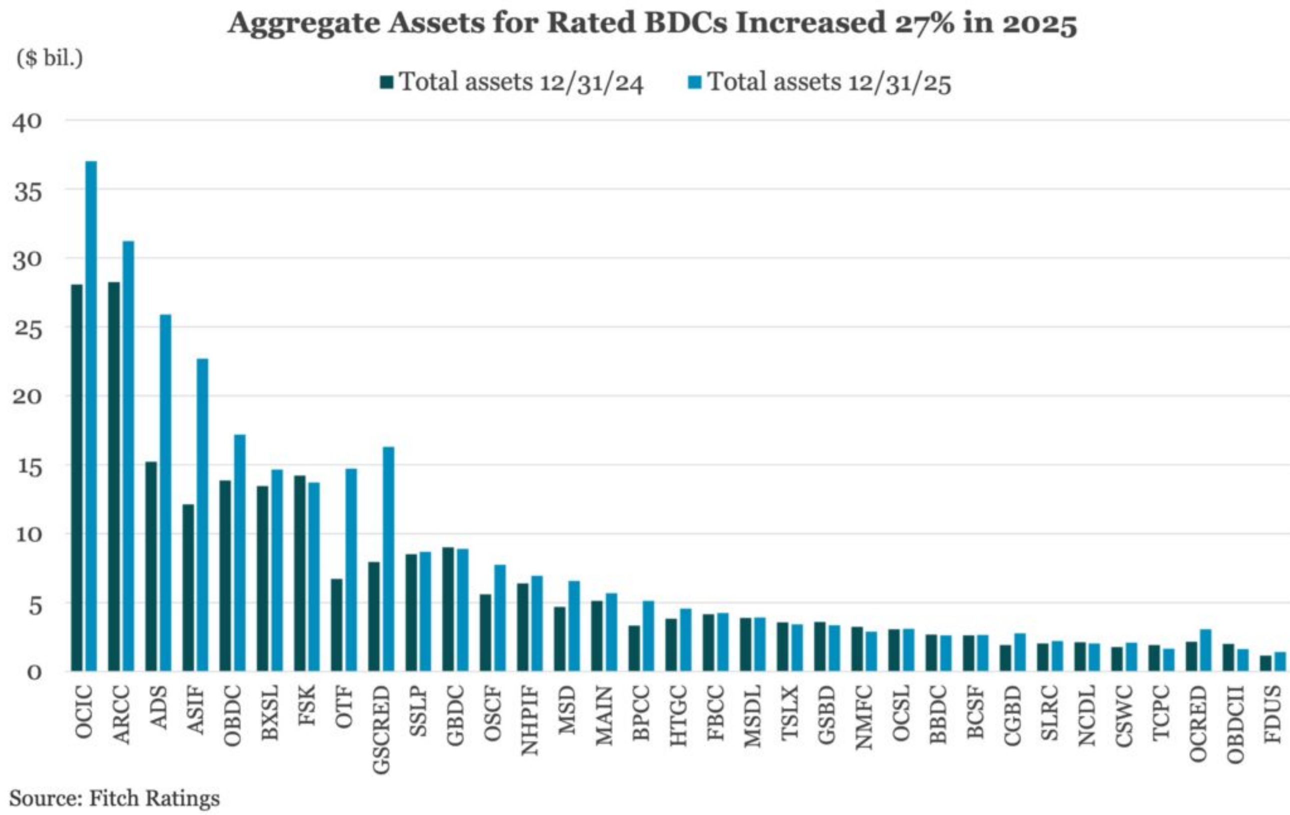
US BDCs Face Persistent Earnings Pressure and Asset Quality Risks

Fitch Ratings | April 30, 2026



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U.S. business development companies (BDCs) face increasing pressure in 2026 as slower capital inflows and elevated redemptions weaken liquidity, while competitive underwriting and interest rates weigh on asset quality and earnings.

Fitch maintains a sector-wide ‘deteriorating’ outlook for BDCs, reflecting expectations for continued pressure on net investment income and dividend coverage, reduced funding flexibility and liquidity, a competitive underwriting environment and non-accruals remaining above historical averages. Elevated redemptions at perpetually non-traded BDCs could constrain liquidity and reshape the competitive landscape.