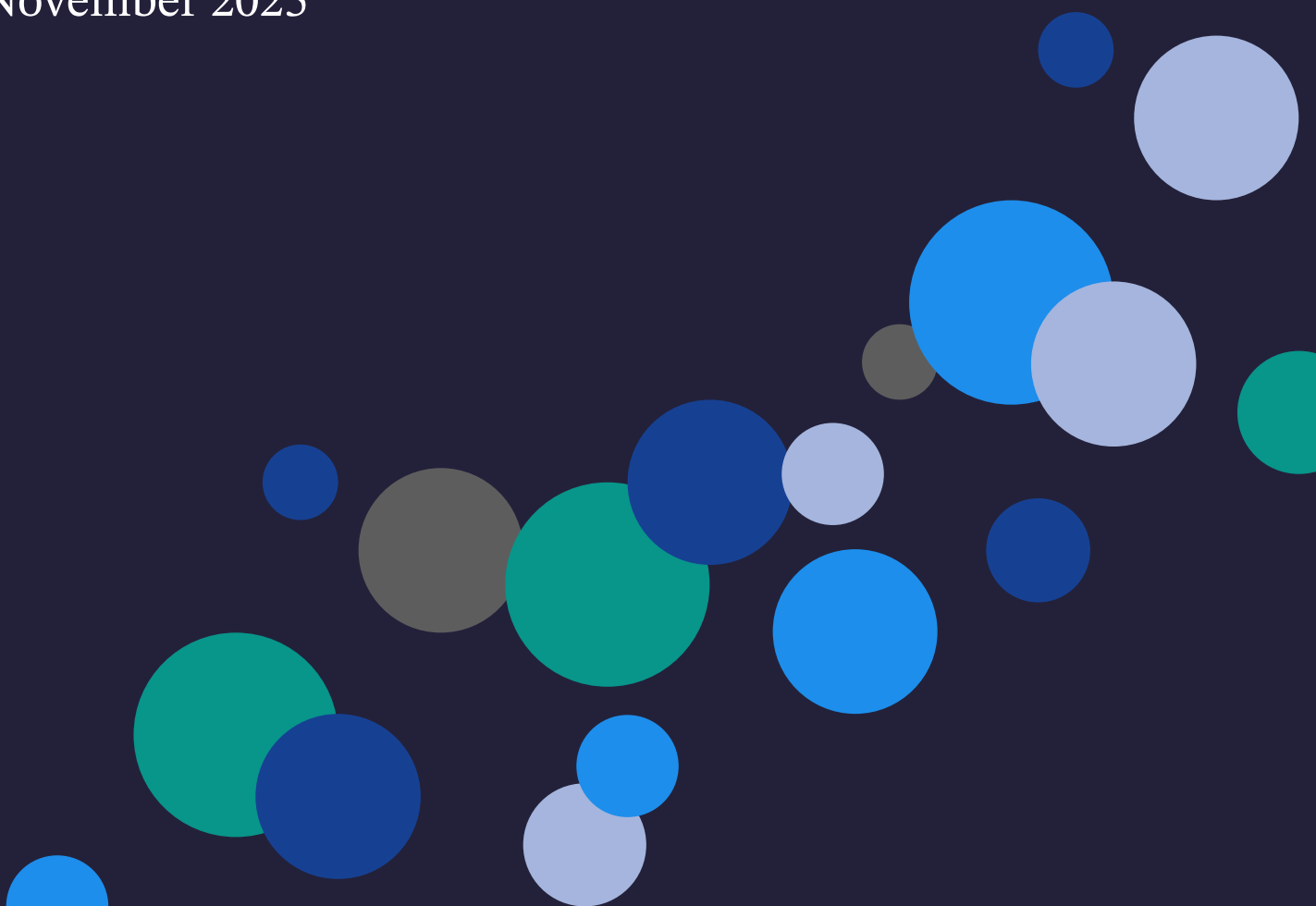


A REPORT BY CAPITAL ECONOMICS FOR IWOCA

The role of SME finance as a growth driver for the economy

Assessing the impact of SME finance and iwoca's
lending on UK and German economies

November 2025



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Foreword

Small and medium-sized businesses play a crucial role in our economies. In both the UK and Germany, they represent over 99% of all businesses and are responsible for more than 50% of all employment. Yet, for too long, they've not been given the access to financing they need to grow to their full potential, on the contrary, they are held back by a financial system that is not built for them.

This is evidenced by the fact that loan growth to SMEs has been anaemic over the last decade. In the UK, the outstanding stock of SME loans today is around 14% lower than in 2015.

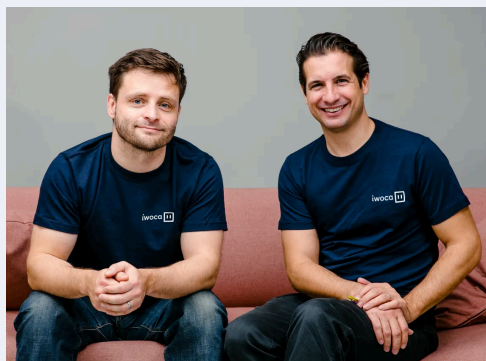
One of the main motivations behind starting iwoca was the prospect that our financing enables this powerful group to create economic growth, and thereby prosperity for all of us. As a reflection of our ambition to fix SME lending, we've set our mission to finance 1 million businesses.

In the last year alone, our £1.3 billion in lending to UK SMEs supported £2.8 billion in economic value (GVA) and 49,800 jobs. In Germany, our €260 million of funding supported €584 million in GVA and 8,930 jobs.

Behind these numbers are entrepreneurs who are seizing opportunities, hiring new staff, and strengthening their local economies. They are the **hidden champions** of our economies.

This report analyses the direct link between our funding and our customers' success. Through analysis of thousands of business current accounts and randomised tests, we have found that receiving an iwoca loan is associated with a 19% average boost to a company's monthly inflows, 12 months after raising financing. This powerful finding confirms that when SMEs have access to finance, they create tangible revenue growth.

We're proud of the impact we've already had to drive change, and we see lots of opportunity to further grow the SME economy in the years to come.



James Dear & Christoph Rieche,
Co-founders,
iwoca

Foreword

continued

We are delighted to present this report on the impact of iwoca's lending on SMEs and the wider UK and German economies.

Access to finance is critical for SMEs to drive growth in revenues and productivity. Empirical research shows that improved access to finance for SMEs not only lifts firm-level performance but also enhances broader country-level economic growth potential. Yet, many firms face barriers to accessing finance, including limited awareness of the options available to them. Challenger lenders are playing an increasingly important role in financing SMEs, and there is significant potential for further expansion as awareness improves.

In this study, we applied standard techniques to iwoca's internal data to estimate the macroeconomic impact of iwoca's lending on the UK and German economies. This showed the significant contribution iwoca's lending makes to real economic activity in the UK and Germany – supporting jobs, output, and tax revenues in SMEs across a wide range of sectors and geographies.

Moreover, to assess firm-level impacts, we conducted original econometric modelling using a rich anonymised dataset of UK customers' current accounts provided by iwoca. Our analysis finds that firms receiving funding from iwoca experience, on average, a ~19% boost to monthly current account inflows in the seven to twelve months following receipt of the loan, compared to if those same customers had not taken out a loan. This demonstrates a meaningful and sustained boost to business activity associated with iwoca's lending.



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Executive Summary

Access to SME finance unlocks economic growth

SMEs are integral to the UK and German economies

- Small and medium-sized enterprises (SMEs) represent **99.8%** of all businesses in the UK and **99.3%** of all businesses in Germany.
- UK SMEs provided **60%** of the UK's jobs and were responsible for **52%** of total UK Gross Value Added (GVA) in 2024. In Germany, SMEs contribute a similar, albeit slightly smaller share of economic activity than in the UK. German SMEs were responsible for **53%** of employment in Germany in 2023 and **41%** of total GVA. ^[1]

Finance can help businesses unlock growth potential

- Access to finance enables firms to invest in efforts to boost revenues. Often these investments are in productivity-enhancing activities which drive profitability, creating a cycle of reinvestment and growth. Higher productivity supports stronger revenue growth, higher real wages, as well as tax revenues and government investment, boosting long-term economic growth.
- There is empirical evidence to support the link between improved access to finance, stronger revenues and productivity. A European study found that EU-backed

financing led to a **14.8 percentage point (ppt)** rise in SME sales growth within two years of the loan, while a separate European study found that raising access to finance for SMEs to match large firms could boost country-level productivity by **1-2%** in a given year. This is a sizeable uplift given that, between 1999-2024, average annual productivity growth for the Euro-zone was only 0.5%. ^{[2] [3]}

- SMEs are, on average, less productive than larger firms and face significant challenges in accessing and adopting finance, alongside limited awareness of the range of financial options available to them. Improving access to finance for these businesses could help unlock greater investment, enhance productivity, and drive economic growth in the UK and Germany.

SMEs rely on finance, but SMEs face significant barriers to taking on finance

- SMEs rely on finance to fund investments, but survey evidence shows that over **one-third** of SMEs in the UK and Germany have difficulty accessing finance. ^[4]
- Non-traditional lending is playing an increasingly important role in financing SMEs, but lack of awareness is still a major barrier to take-up. In the UK, **69%** of SMEs lack awareness about finance options available to them. ^[5]

[1] ONS, Annual Business Survey 2023, 2025. Available [here](#); Department for Business and Trade, Business population Estimates for the UK and Regions 2024, 2024. Available [here](#); Destatis, Statistisches Bundesamt, 2025, Available [here](#).

[2] Fabio Bertonni et al. Econometric study on the impact of EU loan guarantee financial instruments on growth and jobs of SMEs (EIF), 2019, pg 18. Available [here](#).

[3] Annalisa Ferrando and Alessandro Ruggieri, Financial constraints and productivity: evidence from euro area companies (ECB, Working paper, series no. 1823), 2015, pg 19. Available [here](#).

[4] UK Finance BVA BDRC, SME Finance Monitor, 2024, pg 200. Available [here](#); KfW Research, Credit access is becoming harder for SMEs, 2025, pg 1. Available [here](#).

[5] British Business Bank (BBB), SME Intermediary Survey 2024, 2025, Available [here](#).

iwoca's lending supports the UK and German economies

resulting from iwoca's business operations supported a total of **£249 million** of GVA and **2,200 jobs** in the UK, and **€20 million** of GVA in Germany and **191 jobs**.

Taking on a loan from iwoca is associated with stronger current account inflows

- Regression analysis shows that having a loan from iwoca is associated with a **19%** boost on average to customers' monthly current account inflows in the seven to twelve months post-loan, compared to not having a loan. These findings point to a strong link between iwoca's lending and accelerated revenue growth. ^[6]
- The impact of having a loan from iwoca is particularly pronounced for the construction sector. We conducted additional analysis and found that having a loan from iwoca is associated with a **42%** boost to monthly current account inflows on average in the twelve months post-loan, compared to if those firms did not have a loan.

iwoca's lending supports economic activity across the UK and Germany

- In the twelve months to 1 October 2025, iwoca's lending to UK SMEs totalled **£1.3 billion**. In total, iwoca's loans supported **£2.8 billion** of UK GVA, and **49,800 jobs**. That means that for every £100 of iwoca lending deployed by businesses across the UK, £210 of GVA is supported in the UK economy.
- Over the same twelve-month period, **€260 million** of iwoca's lending to German businesses supported **€584 million** of German GVA, and **8,930 jobs**. For every €100 of iwoca lending deployed by businesses across Germany, €220 of GVA is supported in the economy.
- iwoca's business itself also has an economic impact, generating revenue, employing workers, and supporting supply chains. In the year to H1 2025, the activities

[6] Capital Economics has conducted analysis of Current Account Turnover (CATO) data, provided by iwoca, to investigate the impact of iwoca's loans on their customers' accounts. Regression analysis conducted on sample of 8,100 firms.

1. SME demography

52%	SME share of UK total GVA ^[7]
60%	SME share of UK total employment ^[8]
41%	SME share of German total GVA ^[9]
53%	SME share of German total employment ^[10]

1.1. SMEs are integral to the UK and German economies

SMEs dominate the business landscape

Small and medium-sized enterprises (SMEs) are integral to the UK and German economies. ^[10] SMEs represent over 99% of all businesses in these economies, are responsible for over half of employment and 40-50% of Gross Value Added (GVA). SMEs make a slightly larger contribution in the UK than in Germany. (See Figure 1 and Figure 2).

Figure 1: SME contribution to the UK economy (latest year)

		Value	Share of UK total
	Number of SMEs, 2024	5.5 million	99.8%
	Employment by SMEs, 2024	16.6 million	60%
	Revenue generated by SMEs, 2024	£2.8 trillion	52%
	GVA generated by SMEs, 2023	£853 billion	52%

Sources: Capital Economics, ONS Annual Business Survey and Business Population Estimates

Figure 2: SME contribution to the German economy (latest year)

		Value	Share of German total
	Number of SMEs, 2023	3.2 million	99.3%
	Employment by SMEs, 2023	20.4 million	53%
	Revenue generated by SMEs, 2023	€2.6 trillion	26%
	GVA generated by SMEs, 2023	€1.2 trillion	41%

Sources: Capital Economics, Statistisches Bundesamt

[7] ONS, Annual Business Survey 2023, 2025. Available [here](#).
[8] Department for Business and Trade, Business population Estimates for the UK and Regions 2024, 2024. Available [here](#).
[9] Destatis, Statistisches Bundesamt, 2025, Available [here](#).
[10] In the UK, an SME is defined as a business employing 250 or fewer individuals. In Germany, it is businesses with up to 249 employees and an annual turnover of less than €50 million.

1.2. SME landscape varies across industries

Professional services sector key to UK SME GVA

SMEs operate across a wide range of industries, reflecting a range of factors, including different barriers to entry, labour market dynamics, geographic factors and regulation.

In the UK, professional services make up the largest share of SME GVA, with £139 billion (17% of the total), ahead of wholesale and retail (£124 billion, 15%) and construction (£112 billion, 14%). The strong GVA contribution from professional services reflects the sector's high productivity, generating substantial economic output per person employed.

SMEs play a disproportionately large role in certain industrial sectors. SMEs generate 81% of GVA in the education sector and 78% in the construction sector. (See Figure 3.) Policymakers should factor in the relative importance of SMEs when developing strategies to boost investment and growth across industrial sectors.

Figure 3: UK GVA generated by SMEs by industry (2023, £ billions and SME share of industry total, %)

Industry*	£bn	%
Professional services	138.8	58.2
Wholesale & Retail	123.6	48.4
Construction	112.3	78.1
Manufacturing	92.3	46.1
Administrative services	88.7	55.2
ICT	79.3	45.2
Transport	40.5	37.6
Hospitality	32.8	49.5
Real Estate	32.0	61.4
Health & Care	27.0	53.5
Recreation	18.1	52.7
Other service activities	17.6	33.6
Education	13.2	80.7
Agriculture and Mining	10.4	35.3
Total	826.9	51.6

Sources: Capital Economics and ONS Annual Business Survey.

*Note: financial services sector data are unavailable for UK SMEs

Wholesale & retail is a key SME sector in Germany

SMEs in Germany contributed a total of €1.2 trillion of GVA. The wholesale and retail sector contributed the largest share to SME GVA, at €186 billion, while the manufacturing sector contributed €169 billion.

The German economy is heavily dependent on its manufacturing sector. The sector makes up 27% of total GVA of the economy. Output from SMEs makes up only a small share of the value of the manufacturing sector, at just 22% of sectoral GVA.

In contrast, the construction sector has around 80% of its output coming from SMEs, while SMEs in the professional services sector contribute 67% to sectoral GVA. (See Figure 4.) These sectors would therefore disproportionately benefit from policies targeted at supporting SMEs.

Figure 4: German GVA generated by SMEs by industry (2023, € billions and SME share of industry total, %)

Industry	€bn	%
Wholesale & Retail	186.1	46.0
Manufacturing	169.8	21.9
Professional services	136.1	66.5
Construction	131.6	78.8
Health & Care	119.9	43.8
Administrative services	75.1	46.8
ICT	65.0	40.4
Transport	55.1	42.1
Real Estate	53.1	72.6
Hospitality	50.4	80.4
Utilities	40.0	27.0
Finance	36.7	16.6
Other service	19.3	91.1
Recreation	14.6	52.6
Education	13.3	64.4
Agriculture and Mining	2.3	46.1
Total	1,168.3	40.9

Sources: Capital Economics and Statistisches Bundesamt

2. Access to finance unlocks growth

14.8ppt	Boost to SME sales growth within two years of receiving financing, according to an EU study ^[14]
1-2%	Boost to national labour productivity if small firms' access to finance match large firms, according to euro area study ^[15]
36%	UK SMEs reported difficulty in accessing finance in 2024 ^[23]
35%	German SMEs reported difficulty in accessing finance in Q2 2025 ^[24]

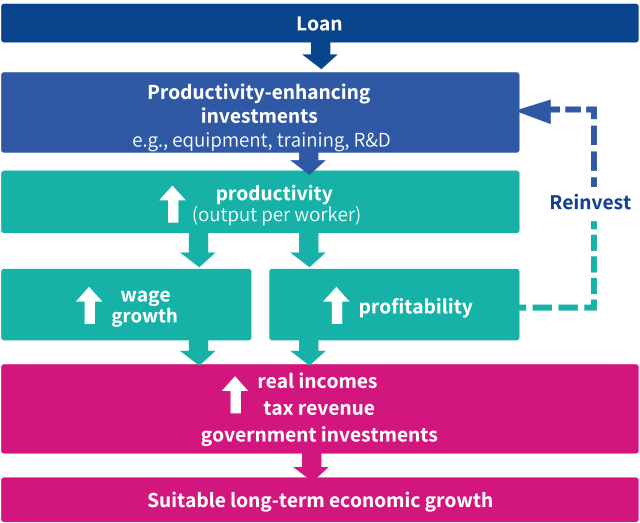
2.1 Finance can help businesses unlock growth potential

Funding growth-enhancing investments is key

Access to finance enables firms to invest in productivity-enhancing activities such as better equipment, training, and Research and Development (R&D) as well as increasing production and revenues. These investments enhance efficiency, profitability, and competitiveness, creating a cycle of reinvestment and growth.

Higher productivity enables firms to raise wages without raising prices, supporting real incomes and living standards. Increased profits and wages boost tax revenues, allowing governments to reinvest in the economy. These effects contribute to sustained long-term economic growth. (See Figure 5.)

Figure 5: The macroeconomic impact of access to finance



Source: Capital Economics

Improved finance access shown to lift growth

Improving access to finance unlocks a range of benefits at the firm and macro-level.

There is empirical evidence confirming the link between finance access and investment. Analysis of an EU loan scheme showed that loan-recipient firms experienced on average 12ppts higher growth in fixed assets relative to non-recipient firms. ^[11]

Access to finance has been shown to not only boost investment, but to lead to stronger firm-level productivity and revenues. A European study showed that a 10% rise in debt boosts firms' total factor productivity (TFP) ^[12] by 0.8%–2.1%. ^[13] A study of European firms found that EU-backed financing raised SME sales growth by 14.8ppts within two years of the agreement. ^[14]

Benefits of improving access to finance translate to a stronger economic outlook. An empirical study of Euro-area firms (1995-2011) found that equalising small firms' financial access with the average large firm could boost average national labour productivity by 1-2% in a given year – notable given that, between 1999-2024, annual eurozone productivity growth averaged on 0.5%. ^[15]

[11] David Frayman, Banking on the State: Does state investment bank lending increase firm investment? (UCL Institute for Innovation and Public Purpose), 2024, pg 14. Available [here](#).

[12] TFP measures how efficiently labour and capital are converted to output, often used to reflect technological progress.

[13] Oliver Levine and Missaka Warusawitharana, Finance and productivity growth: Firm-level evidence (Finance and Economics Discussion Series, Federal Reserve Board), 2014, pg 35. Available [here](#).

[14] Fabio Bertonni et al. Econometric study on the impact of EU loan guarantee financial instruments on growth and jobs of SMEs (EIF), 2019, pg 18. Available [here](#).

[15] Annalisa Ferrando and Alessandro Ruggieri, Financial constraints and productivity: evidence from euro area companies (ECB, Working paper, series no. 1823), 2015, pg 19. Available [here](#).

Figure 6: Summary of literature assessing the impact of access to finance on productivity

Theme	Key findings	Geography	Source
Limited access to finance	After the Global Financial Crisis, the share of innovative SMEs struggling to access funding rose from 36% to 56% , limiting their ability to develop new products/processes	UK	‘Access to finance for innovative SMEs since the financial crisis’- Lee, Sameen and Cowling (2015)
Impact on investment	An empirical study found 50-60% of young SMEs in the EU are less likely to pursue R&D and innovation, likely due to limited access to finance	EU	‘Young SMEs: Driving innovation in Europe?’- Veugelers et al. (2018)
	Analysis of an EU loan scheme showed that loan-recipient firms experienced on average 12pts higher growth in fixed assets relative to non-recipient firms	EU	‘Banking on the State: Does state investment bank lending increase firm investment?’- Frayman (2024)
Impact on business performance	Firms within the top 30% of TFP-level distribution had higher market debt ratios, supporting a finance-productivity link	Euro Area	‘Low firm productivity: The role of finance and the implications for financial stability’- ECB (2024)
	On average, SMEs without financial constraints show around 4% higher measured productivity than those facing constraints	Canada	‘Credit constraints and productivity of SMEs: Evidence from Canada’- Cao & Leung (2020)
	Analysing firm-level data in four large European countries, a 10% rise in debt for firms boosts their TFP by 0.8%-2.1%	Italy, Spain, France, UK	‘Finance and productivity growth: Firm-level evidence’- Levine and Warusawitharana (2021)

Figure 6: continued

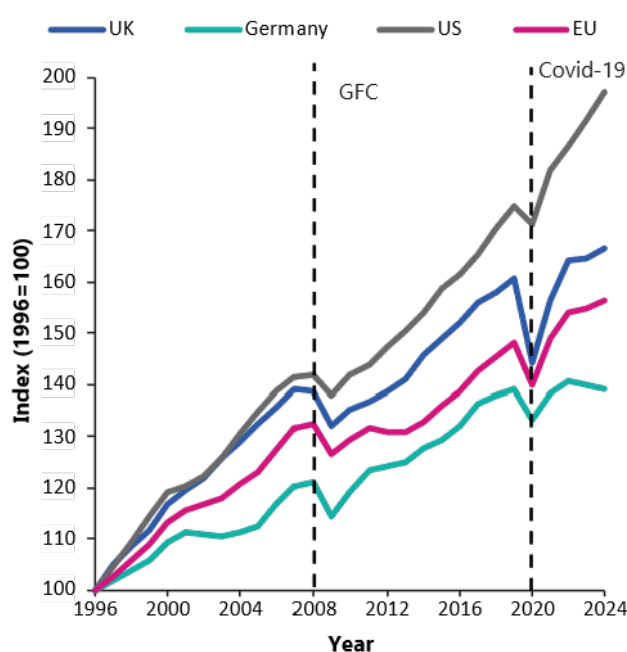
	Pre-2008 crisis, financial constraints sharply reduced the likelihood of start-ups reporting profit growth. Post-2008, maturing SMEs were 5-10ppts less likely to report profit growth due to tighter credit conditions and debt overhang	US, EU	'SMEs, financial constraints and growth'- Bank for International Settlements (2014)
	SMEs with guaranteed loans experience a 3.18ppt rise in sales revenue relative to those without loans	France	'The long-term effects of loan guarantees on SME performance' – Bertoni, Colombo, and Quas (2023)
	Finance provided under the EU financing schemes MAP and CIP are found to raise SME sales revenue growth by 14.8ppts within two years post-agreement	Italy, Benelux, Scandinavia	'Econometric study on the impact of EU loan guarantee financial instruments on growth and jobs of SMEs' – Bertoni et al (2019)
Impact on macroeconomy	Analysis of firm-level data in the euro area suggests that over 1995-2011, equalising small firms' access to finance with the average large firm could have raised average national labour productivity by 1-2%	Euro Area	'Financial constraints and productivity: evidence from euro area companies'- ECB (2015)

2.2 UK and German economies need a boost

Weaker GDP growth paths over past two decades

Over the past two decades, economic growth has slowed in the UK and Germany. Recessionary periods, such as the 2008-09 Global Financial Crisis and the 2020 Covid-19 pandemic had notable adverse effects on the long-term trend of GDP growth in the economies. (See Figure 7.)

Figure 7: Real GDP in the UK, Germany, US and the EU (1996=100)



Sources: Capital Economics, LSEG Data Analytics

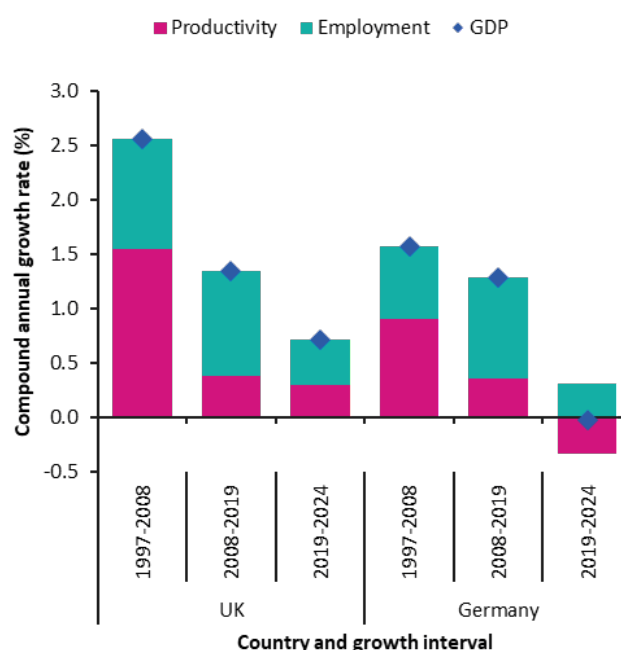
Low productivity has dragged on GDP growth

The long-term economic growth trend is determined by growth in employment and in the amount that each worker produces, or productivity.

In the UK and Germany, weaker GDP growth since the Global Financial Crisis (GFC) and Covid-19 pandemic has been largely due to weaker productivity growth. Prior to the GFC, between 1997 and 2008, real GDP growth averaged 2.6% per annum in the UK and 1.6% in Germany, with nearly two-thirds of that growth having been driven by productivity. (See Figure 8.)

In contrast, between 2019 and 2024, GDP growth in the UK has been lacklustre, averaging 0.7% per annum with productivity providing little support. Meanwhile, in Germany, average annual growth has been flat at 0.0%, with productivity acting as a drag.

Figure 8: Real GDP growth in the UK and Germany and contribution from productivity and employment (compound annual growth rates, %)



Sources: Capital Economics, LSEG Data Analytics

Investment is central to lifting long-term growth

Lacklustre economic growth in the UK is in part due to low investment, especially in intangible assets such as R&D. Limited access to finance is a key factor which has held back investment. ^[16]

Germany's productivity slowdown reflects both cyclical and structural factors. Labour market reforms introduced in the early 2000s led to skill mismatches, while underinvestment in public infrastructure has also been a drag. In addition, the auto sector faces challenges, including rising competition from China and US protectionism. Any boost to investment and innovation would therefore be a welcome step forward for the German economy.

[16] Timothy Besley, Isabelle Roland and John Van Reenen, The aggregate consequences of default risk: Evidence from firm-level data (Cambridge Working Papers in Economics), 2019, pg 23. Available [here](#).

Greater investment could unlock SME potential

Since the GFC, UK SMEs have faced growing challenges accessing finance, limiting investment, productivity and revenue growth. There is scope for SMEs to boost productivity and revenues by leveraging efficient capital-labour combinations and adopting new technologies, but they need funds for investment to achieve this. ^[17]

In Germany, there is evidence to suggest that SMEs are not maximising their growth potential. In the German manufacturing sector, medium-sized firms are only 65% as productive as larger firms. Targeted investment could unlock their growth potential, boosting productivity and GDP growth. ^[18]

SMEs make growth-enhancing investments

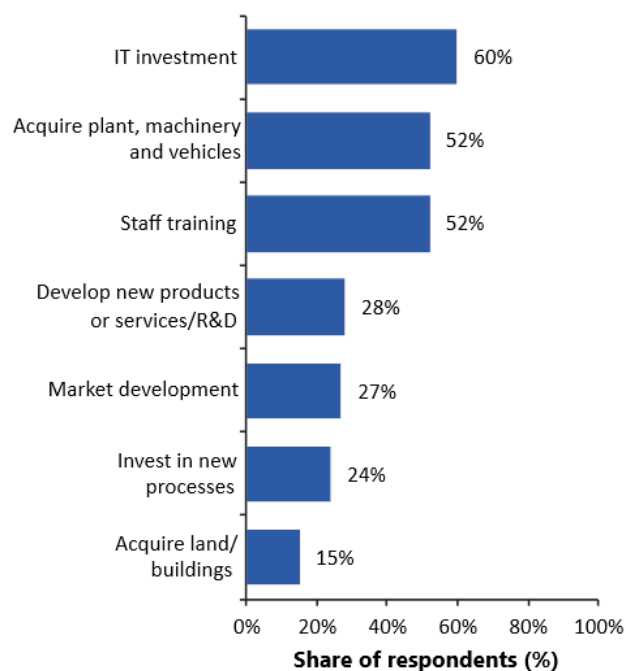
Investing in workforce skills, R&D, and technology adoption can significantly boost productive capacity. These investments drive firm-level growth and ripple through the economy, lifting long-term GDP growth.

In 2023, the most frequently reported investment among UK SMEs was in technology or IT (~60%). This is followed by equal shares investing in new plants, machinery and vehicles as well as training staff (~50% each). Across all investment types, the primary motivation cited by UK SMEs was to enhance productivity and drive business growth. (See Figure 9.)

German SMEs share similar investment priorities. In 2023, many SMEs reported investing in the renewal of existing systems/machinery (39%). Technology transformation also emerged as a key priority, with 37% of SMEs investing to adapt to new technologies and 25% focusing on enhancing their digital infrastructure. (See Figure 10.)

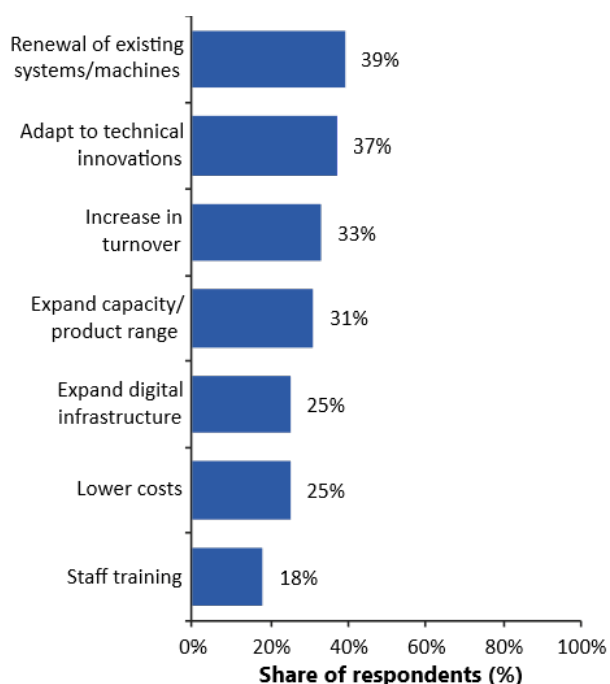
For those businesses that are willing and able to invest, the intention is clearly there to boost productivity and growth. It is therefore important that SMEs are able to access sufficient finance to fund these investments.

Figure 9: Motivation behind investments by UK SMEs, split by investment type (% , 2023)



Sources: Capital Economics, Bank of England. Note: Figures estimated based on published report without access to underlying data, available [here](#).

Figure 10: Motivation behind investments by German SMEs (% , 2023)



Sources: Capital Economics, KfW Research.

[17] Scarpetta et al., The role of policy and institutions for productivity and firm dynamics: Evidence from micro and industry data (OECD working paper no. 329), 2022, pg 13-14. Available [here](#).

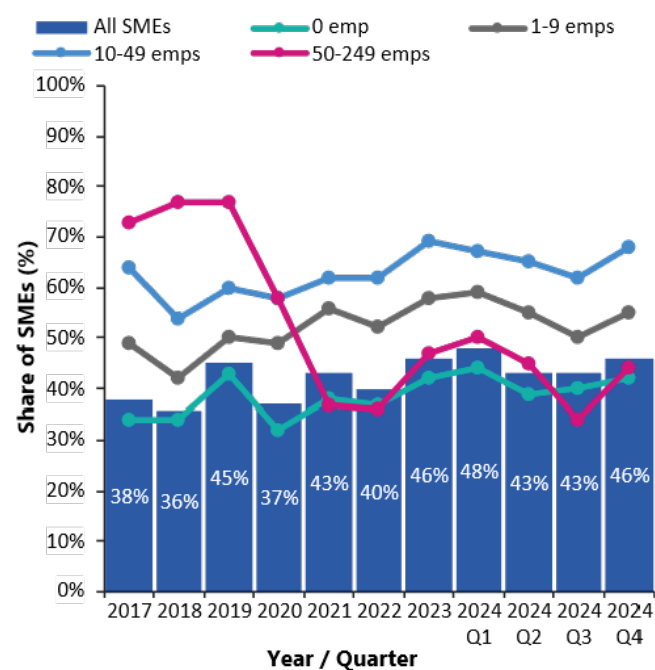
[18] Naomitsu Yashiro and Stephanie Lehmann, Boosting productivity and preparing for the future of work in Germany (OECD), 2018, pg 10. Available [here](#).

2.3 SMEs rely on finance

Almost half of UK SMEs rely on external finance

External finance is important to SMEs, as loans are used to drive productivity and revenue growth. At the end of the fourth quarter of 2024, 46% of UK SMEs reported using some form of external finance – a figure unchanged from 2023. SMEs with 10-49 employees are the most willing to take on finance, at 68% of these businesses, compared to 55% for those with 1-9 employees. Since the pandemic, the use of external finance for SMEs with 50-249 employees has fallen from 77% in 2019 to an average of 43% in 2024. [19] (See Figure 11.)

Figure 11: Share of UK SMEs using external finance over time by SME size (%)



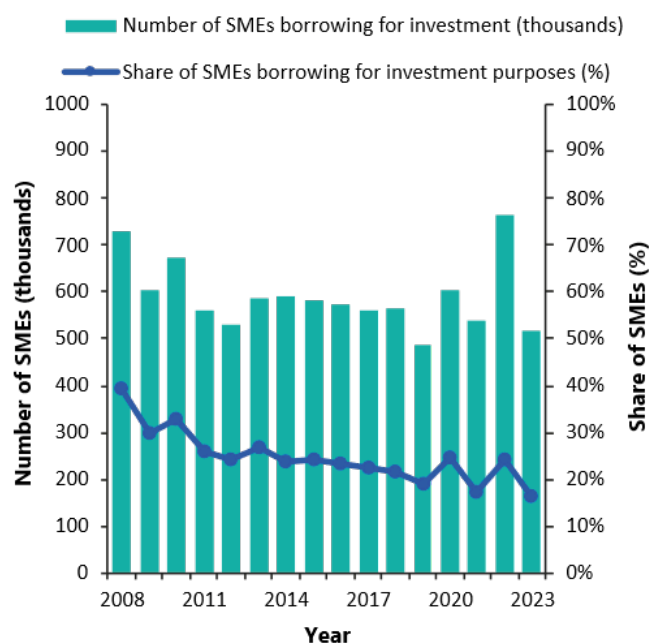
Sources: Capital Economics, UK Finance BVA BDRC

Investment loans to 16% of German SMEs in 2023

In Germany, around 519,000 SMEs were granted loans for investment purposes in 2023. Given that there were 3.2 million SMEs in 2023, that suggests that around 16% of SMEs were granted investment loans. (See Figure 12.) That is lower than the ten-year average of 22%.

The recent decline in the number of SMEs borrowing to invest was likely driven by several factors. Next to possible frontloading effects in 2022 with the end of the COVID-19 government support programs, rising insolvencies amongst SMEs may have reduced the pool of active firms seeking credit, while it is possible that heightened uncertainty made banks more cautious in their lending decisions.

Figure 12: German SMEs borrowing for investment purposes over time, number of SMEs (LHS, thousands) and share of SMEs (RHS, %)



Sources: Capital Economics, KfW Research, Statistisches Bundesamt. Note: Data points for the number of SMEs borrowing for investment are estimated based on the published report without access to underlying data. Available [here](#).

[19] UK Finance BVA BDRC, SME Finance Monitor, 2024, pg 178. Available [here](#).

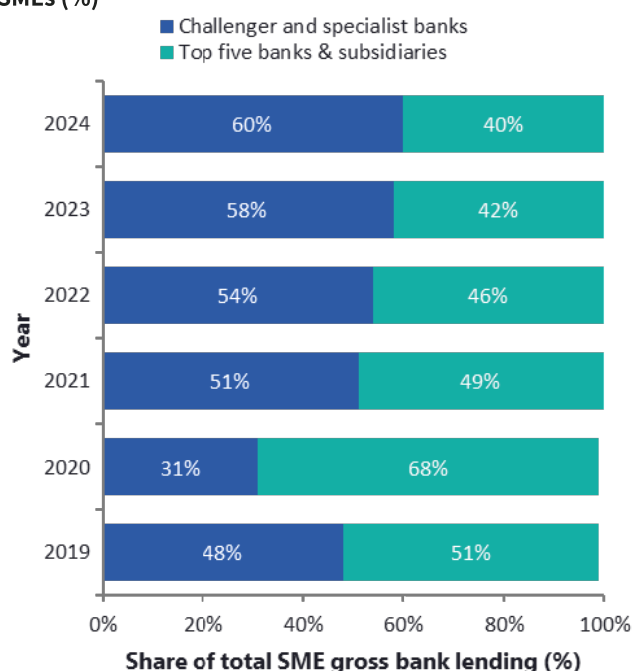
Shift in lending landscape, particularly in the UK

The UK's SME financing landscape has undergone significant transformation over the past decade. In the early 2010s, lending was dominated by the five largest banks. However, technological advances and government efforts to increase contestability have encouraged new entrants, including 'challenger banks' and non-bank lenders. [20]

In 2012, around 60% of total gross bank lending to UK SMEs were from the top five banks, while challenger and specialist banks made up the remainder. [21] By 2024, this dynamic has reversed: challenger and specialist banks now account for 60% of gross SME bank lending. (See Figure 13.)

These statistics include banks only. If the analysis were to also include SME lenders, such as iwoca, the non-traditional share of overall SME lending would be even greater.

Figure 13: Share of annual total gross bank lending to UK SMEs (%)



Sources: Capital Economics, British Business Bank and Bank of England.

Note: 'Challenger and specialist banks' category does not include SME lenders.

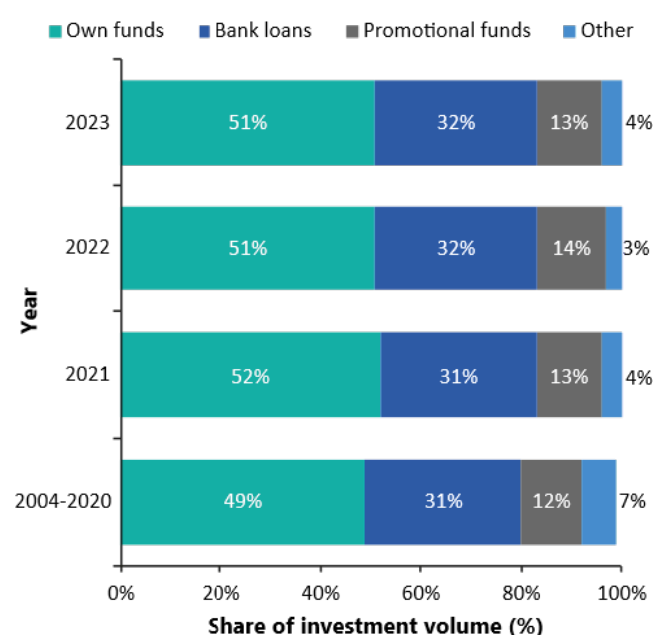
Room for growth in Germany's non-bank lending

German SMEs rely on debt-based financing for investment activities. Around half of SME investments in 2023 were funded using internal funds, while the other half relied on external financing.

Debt capital represented 45% of total investment finance, underscoring the enduring importance of traditional banking relationships. Non-traditional finance, included within the 'Other' category, represents just 4% of external funding for German SMEs. (See Figure 14.) This highlights a significant market opportunity for SME lenders and a potential gap in awareness of non-traditional financing options amongst German SMEs.

The prevalence of bank lending in Germany is further emphasised by ECB survey data, with nearly two-thirds (64%) of SMEs selecting bank loans as their preferred source of external finance. That exceeds the share selecting loans from other sources (16%) or equity investment (7%). [22]

Figure 14: Share of investment volume by funding source to German SMEs (%)



Sources: Capital Economics, KFW Research. Note: 'Other' comprises of non-traditional sources of funding such as mezzanine capital and private equity.

[20] Department for Business & Trade, HM Treasury, Small business access to finance, 2025. Available [here](#).

[21] British Business Bank, Small Business Finance Markets Report 2025, 2025, pg 127. Available [here](#).

[22] ECB, Survey on the access to finance of enterprises: Results by country 2024, Q20, 2024. Available [here](#).

2.4 Barriers to finance hold back investment

Over one-third of SMEs struggle to access finance

SMEs in the UK and Germany have difficulty accessing finance. In 2024, 36% of SMEs in the UK reported having difficulty in accessing finance, up from 31% in 2022. ^[23] In Germany, 35% of SMEs reported facing difficulties in loan negotiations in Q2 2025, up from 26% in Q1 2024, and higher than the 22% reported by large scale enterprises (LSEs). The divergence between LSEs and SMEs in Germany highlights a widening gap in credit access. ^[24]

Difficulty in accessing finance is often a key reason why businesses underinvest. A Bank of England survey found that amongst UK SMEs stating they felt they underinvested, 29% cited insufficient cash reserves as the main reason, while 20% were deterred by unfavourable debt terms. ^[25]

Lack of awareness is a key barrier to borrowing

Beyond traditional banking channels, a wide range of finance options exist to meet the diverse needs and preferences of SMEs. These include SME lenders, peer-to-peer platforms, and tailored credit solutions. However, a major barrier faced by SMEs to obtain finance is awareness of these options.

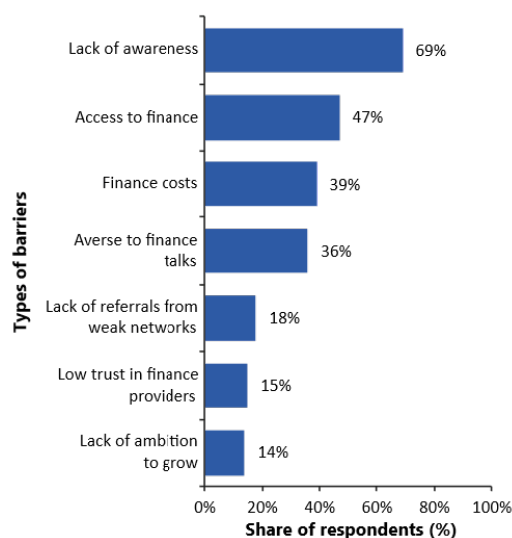
Survey evidence shows that 69% of UK SMEs who chose not to apply for finance cited a lack of awareness of the range of finance options available to them. (See Figure 15.)

Many SMEs still associate borrowing with traditional bank processes, which are often perceived as slow, complex and outdated. This can deter them from seeking funding altogether. While 62% of UK SMEs are well-informed about conventional debt finance, awareness of alternative finance options – such as marketplace lending and

peer-to-peer platforms – remains low, with only 12% of SMEs reporting familiarity with these solutions. ^[26] (See Figure 16.)

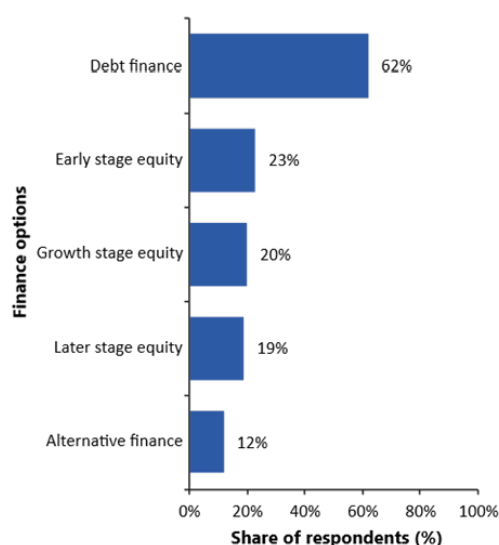
In Germany, while non-traditional finance options are increasingly available, their potential is largely untapped. German SMEs also lack the awareness to pursue financing beyond traditional debt. ^[27]

Figure 15: Key reasons cited by UK SMEs for not applying for finance, (% , 2024)



Sources: Capital Economics, British Business Bank.

Figure 16: Finance options familiar to UK SMEs, (% , 2024)



Sources: Capital Economics, British Business Bank.

[23] UK Finance BVA BDRC, SME Finance Monitor, 2024, pg 200. Available [here](#).

[24] KfW Research, Credit access is becoming harder for SMEs, 2025, pg 1. Available [here](#). SMEs are firms with employees <500 and annual turnover <€50m. LSEs exceed one or both of them.

[25] Bora et al. Identifying barriers to productive investment and external finance: a survey of UK SMEs (Bank of England), 2023. Available [here](#).

[26] British Business Bank (BBB), SME Intermediary Survey 2024, 2025, Available [here](#).

[27] OECD, Financing SME growth in Germany, 2024, pg 20. Available [here](#).

3. Estimating the impact of iwoca's loans on customer revenues

Analysis conducted on 8,100 UK firms' accounts

Capital Economics has conducted analysis of Current Account Turnover (CATO) data to investigate the impact of iwoca's loans on their customers' accounts.

iwoca provided Capital Economics with CATO data for 19,517 firms in the UK. Equivalent data are not available for Germany, due to the lack of a scheme such as The Commercial Credit Data Sharing (CCDS), which is in place in the UK. The data include monthly values for total inflows and outflows to and from the customer's current account, the date of a credit assessment, whether a loan was granted, and the value of that loan. The data span December 2021 to May 2025.

After removing firms lacking at least twelve months of data either side of the credit assessment date, our final sample was 8,100 firms. Within this sample, around 16% took on a loan from iwoca over the period.

Loan associated with 19% lift to account inflows

iwoca is playing an increasingly important role as a key lender to UK SMEs, and there is evidence suggesting iwoca's loans help to boost the revenues of their customers.

We have conducted regression analysis, using a panel data model, with company and time fixed effects. (See appendix for detailed methodology.) The results indicate that having a loan from iwoca is associated with monthly inflows being 19% higher on average in the seven to twelve months after the loan was taken, compared to if there was no loan in place.

Our findings are consistent with a study of European firms, which found that EU-backed financing raised SME sales growth by around 15ppts within two years of the agreement. ^[28]

Figure 17: Estimated impact of iwoca's loans on customers' current accounts, on average across all industries in the seven to twelve months post-loan.



Sources: Capital Economics and iwoca

Expanding productive capacity can boost revenues

The positive relationship between lending and current account inflows is likely due to the loan being spent on increasing production capacity, or to make productivity-enhancing investments. This spending in turn leads to stronger revenue growth.

In further analysis, we identify a positive and significant relationship between having a loan from iwoca and monthly current account outflows, a proxy for operating and/or capital expenditure. Monthly outflows are around 18% higher on average in the twelve months post-loan, compared to having no loan, suggesting that firms may be using their loans to fund investments and/or expenditure to expand capacity.

[28] Fabio Bertoni et al. Econometric study on the impact of EU loan guarantee financial instruments on growth and jobs of SMEs (EIF), 2019, pg 18. Available [here](#).

Construction sector sees major uplift from loan

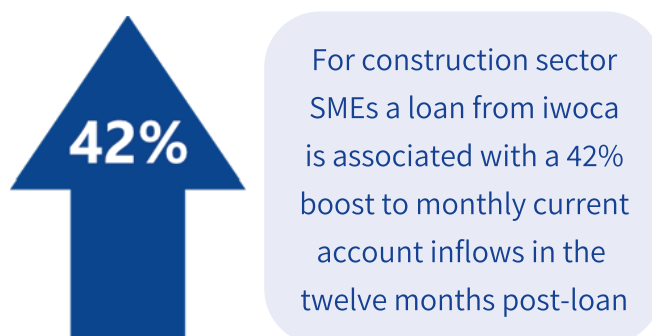
In the UK, SMEs contribute approximately 52% of total GVA. Their role is even more pronounced in the construction sector, where SMEs account for around 78% of sectoral GVA. Given this substantial contribution, it is essential that funding mechanisms within the sector are specifically designed to support SMEs.^[29]

SME lenders, such as iwoca, are well-placed to offer new financing options catered to SMEs, such as those in the construction sector. The construction sector was the main beneficiary of iwoca's loans in the twelve months to April 2025, receiving 19% of the value of iwoca's UK loans and representing 16% of the SMEs receiving the loans. (See Section 4.)

In an additional piece of regression analysis, we assessed the impact of having a loan on current account inflows over the twelve months post-loan. Our analysis shows that in the construction sector, there is a particularly large boost to current account inflows associated with having a loan. That implies that SMEs in the sector are able to effectively convert loans into improved business performance.

For SMEs in the construction sector, having a loan from iwoca is associated with a 42% boost on average to monthly account inflows in the twelve months post-loan, compared to if those construction firms did not take a loan.^[30] For the remaining industries, the boost is estimated to be around 16% compared to if those firms did not take on a loan.

Figure 18: Estimated impact of iwoca's loans on customers' current accounts, on average for the construction sector over the twelve months post-loan



Sources: Capital Economics and iwoca

Additional analysis supports key finding

We conducted a randomised test on a separate sample of 3,262 customers, who have lower credit scores than our main sample. For these firms, having a loan from iwoca was associated with monthly current account inflows that were 34% higher in the twelve months post-loan, compared to if there was no loan in place. The fact that we observe a positive impact of the loan across two distinct samples strengthens our confidence in the robustness of the findings.^[31] (See appendix for more detailed methodology.)

[29] Capital Economics and ONS Annual Business Survey, 2024. Data are for 2023, the latest year available.

[30] Note: The interaction effect between loan status and construction sector membership on current account inflows is statistically significant at the 10% level, indicating a marginally significant differential impact relative to other sectors.

[31] Regression analysis conducted on sample of 3,262 firms, a different sample of firms to the core analysis.

4. Impact of iwoca’s lending on the UK economy

41,784	UK SMEs with loans from iwoca (12 months to October 2025)
£1.3bn	Loans deployed over the 12 months to October 2025 in the UK
£2.8bn	UK GVA supported by iwoca’s loans
49,800	UK jobs supported by iwoca’s loans

4.1. The economic impact on the UK economy

Rising role of fintech lending in SME finance

Challengers are playing an increasingly important role in financing SMEs, but lack of awareness is still a major barrier to take-up. (See Section 2.4.) There is therefore significant potential for further expansion.

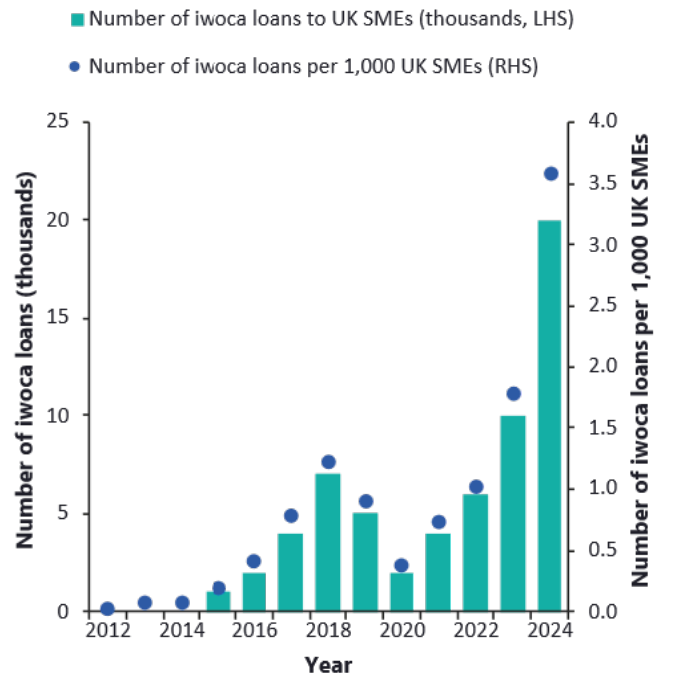
Progress is being made towards increasing awareness of SME lenders. In the Q1 2025 SME Expert Index, a survey of finance brokers conducted quarterly by iwoca, three in four (74%) finance brokers reported submitting the majority of finance applications to SME lenders, rather than high street banks, up from 67% in Q4 2024. [32]

Past decade has seen iwoca expand its reach

iwoca is one of Europe’s largest SME lenders. Over the past decade, iwoca has gradually expanded its reach among UK SMEs, with the number of loans issued rising from fewer than 1 to over 3.5 per 1,000 SMEs. (See Figure 19.) This upward trend highlights iwoca’s growing role in meeting the financing needs of small businesses.

That said, a significant share of SME demand for finance remains unmet – underscoring the opportunity for further expansion and awareness of non-traditional finance options.

Figure 19: Number of loans issued by iwoca to UK SMEs over time, number of iwoca loans (LHS, thousands) and per 1,000 UK SMEs (RHS)



Sources: Capital Economics, iwoca, Business Population Estimates.

Loans to almost 42,000 UK SMEs over 12 months

In the twelve months to 1 October 2025, a total of £1.3 billion of iwoca’s loans were deployed by 41,784 SMEs in the UK. [33]

The current activity associated with iwoca’s loans can be estimated based on the size of the loan relative to the size of the company’s balance sheet. Based on company revenues and the relative size of the average company’s liabilities, iwoca’s loans can be linked to around 7% of the value of these SME’s revenues over the twelve-month period.

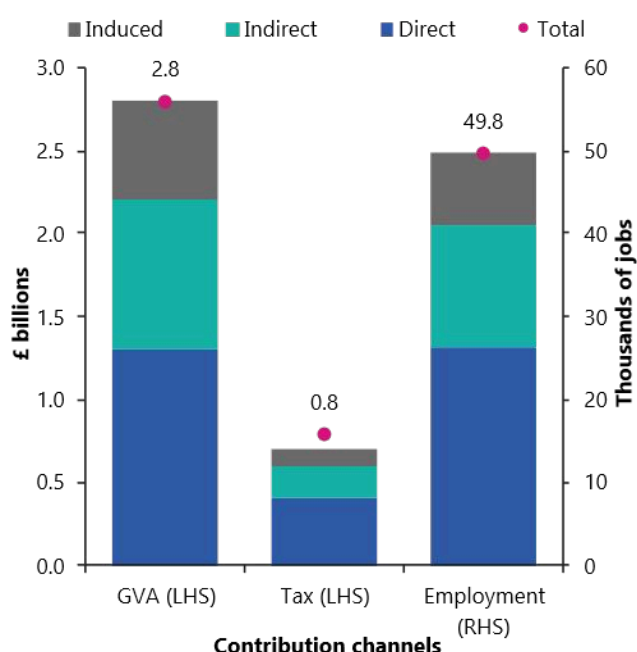
[32] iwoca, iwoca SME Expert Index, 2025. Available [here](#).

[33] Analysis of iwoca loan book; customers with new loans and outstanding balances.

iwoca loans supported £2.8 billion of UK GVA

The £1.3 billion of iwoca's loans deployed in the twelve months to 1 October 2025 supported an estimated £2.8 billion total contribution to UK GVA and supported an estimated 49,800 jobs. This activity is associated with stimulating £0.8 billion in tax revenues. (See Figure 20.) For every £100 of iwoca lending deployed by UK businesses, £210 of GVA is supported.

Figure 20: Overall economic contribution of iwoca's lending in the UK (LHS, £ billions and RHS, thousands)



Sources: Capital Economics, iwoca

Economic impact extends beyond direct activity

The total estimated economic impact of £2.8 billion includes direct, indirect and induced impacts.

We estimate that iwoca's lending directly contributed £1.3 billion to UK GVA and supported 26,400 jobs and £0.4 billion of tax revenues. The direct impact includes the investment, profits and paying of local workers by iwoca's customers which occurs directly as a result of the loan.

The economic impact of iwoca's lending extends beyond its direct contribution. iwoca's customers procure goods and services as part of their UK supply chain. The 'indirect impact' of iwoca's lending amounts to an estimated £0.9 billion of GVA supported, 14,600 jobs and £0.2 billion of tax revenue.

iwoca's lending also supported further economic activity, as its customers' employees spent their wages. The 'induced impact' of iwoca's lending was estimated to be £0.6 billion of GVA, 8,800 jobs and £0.1 billion of tax revenue.

4.2. The economic impact on the UK's industries

Lending helps SMEs across a range of industries

In the twelve months to 1 October 2025, the construction sector received 19% of the value of iwoca's UK loans – the largest share – followed by wholesale and retail at 17%. These sectors each represented 16% of SMEs receiving iwoca's loans. (See Figure 21.)

Figure 21: Industry breakdown of lending by iwoca in the UK (12 months to 1 October 2025)

	Lending deployed (£m)	Number of SMEs (count)
Construction	251	6,825
Wholesale & Retail	220	6,532
Administrative services	128	3,793
ICT	126	4,013
Manufacturing	125	2,679
Professional services	86	3,295
Hospitality	85	3,189
Health & care	72	2,157
Other personal services	65	2,666
Transport	46	2,072
Real estate	36	1,529
Education	25	900
Finance	20	500
Recreation	18	902
Utilities	18	305
Agriculture & mining	7	278
Public admin. & defence	4	151
Total	1,331	41,784

Sources: Capital Economics, iwoca

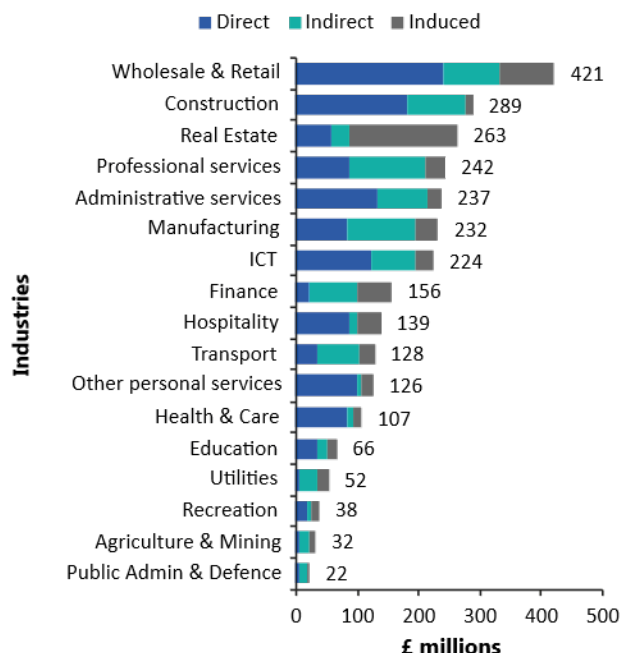
Wholesale and retail sector benefits most

The wholesale and retail sector sees the biggest economic impact from iwoca's lending, at £421 million of GVA and 8,692 jobs supported. (See Figure 22 and Figure 23.)

iwoca's substantial loan book exposure to wholesale and retail drives the sector's large direct impact. Greater access to finance could help boost the average productivity of the sector which has tended to lag behind the rest of the UK economy – output per worker in wholesale/retail is around 20% lower than for the UK economy as a whole.

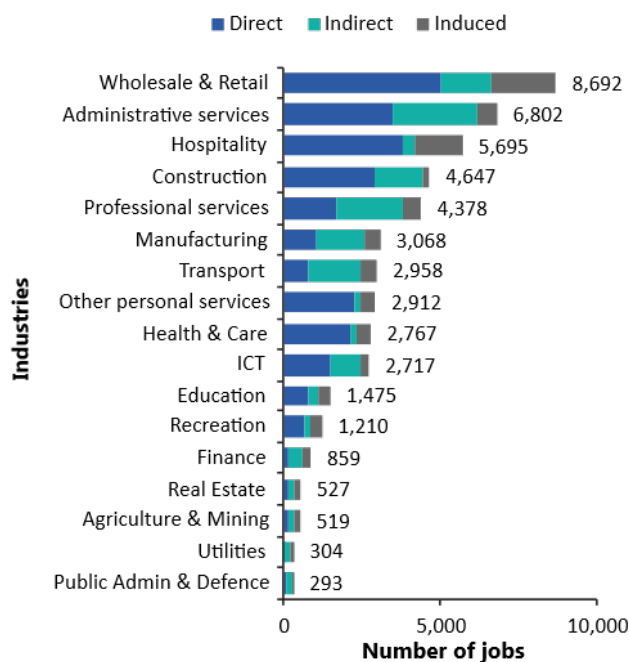
The professional services and finance sectors make up a modest share of the loan book, but see a large indirect GVA impact, as loan recipients spend on their supply chains. The induced impact reflects the spending of the employees of loan recipients and is largest for real estate and wholesale and retail.

Figure 22: Overall contribution of iwoca's lending in the UK to GVA by industry (£ millions)



Sources: Capital Economics, iwoca

Figure 23: Overall contribution of iwoca's lending in the UK to employment by industry (number of jobs)



Sources: Capital Economics, iwoca

4.3. The economic impact on the UK's regions

iwoca loans reach all regions of the UK

London-based SMEs were the main recipient of iwoca's loans, making up 25% of iwoca-funded SMEs, but receiving a smaller 23% share of the total value of iwoca's loans deployed in the twelve months to 1 October 2025.

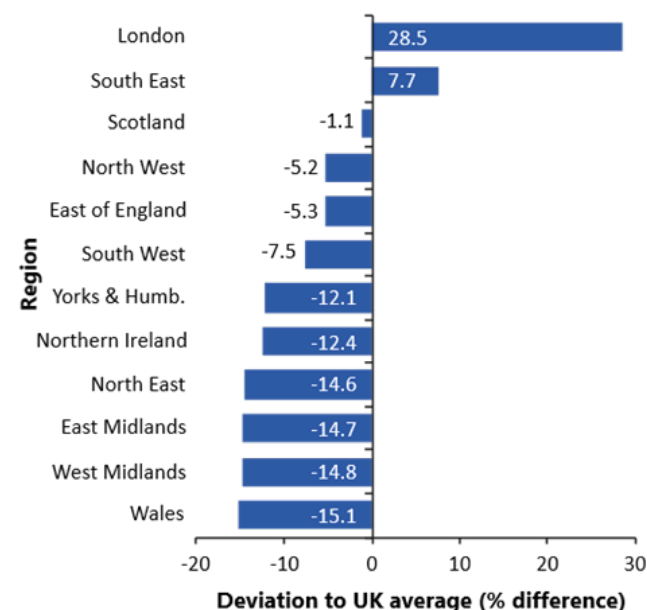
iwoca's lending reached every region of the UK, with 75% of SMEs funded by iwoca's loans located outside of London. iwoca funded 0.8% of all UK SMEs, with a slightly higher coverage in the North West and the East of England, where the shares are a higher 0.9% and 0.8%. (See Figure 24.) This is particularly meaningful given that productivity in these regions underperforms the UK average. Output per hour is 5.2% and 5.3% below the national average, respectively. (See Figure 25.) This highlights iwoca's reach into areas with the greatest need for productivity-enhancing investment.

Figure 24: Regional breakdown of lending by iwoca in the UK (year to 30 April 2025)

	Lending deployed (£m)	Number of SMEs funded (count)	SMEs funded as a share of regional total (%)*
London	304	10,274	1.05
South East	221	6,152	0.68
East of England	144	4,326	0.82
North West	132	4,315	0.87
South West	104	3,062	0.57
West Midlands	99	3,127	0.72
East Midlands	92	2,651	0.74
Yor. & the Hum.	79	2,712	0.70
Scotland	60	2,178	0.61
North East	38	1,154	0.70
Wales	38	1,292	0.59
Northern Ireland	18	542	0.41
Total	1,331	41,784	0.76

Sources: Capital Economics, iwoca. *Note: Calculation uses latest official data for the number of SMEs by region.

Figure 25: Regional percentage deviation in output per hour from the UK average (% , 2023)



Sources: Capital Economics, Office for National Statistics (ONS)

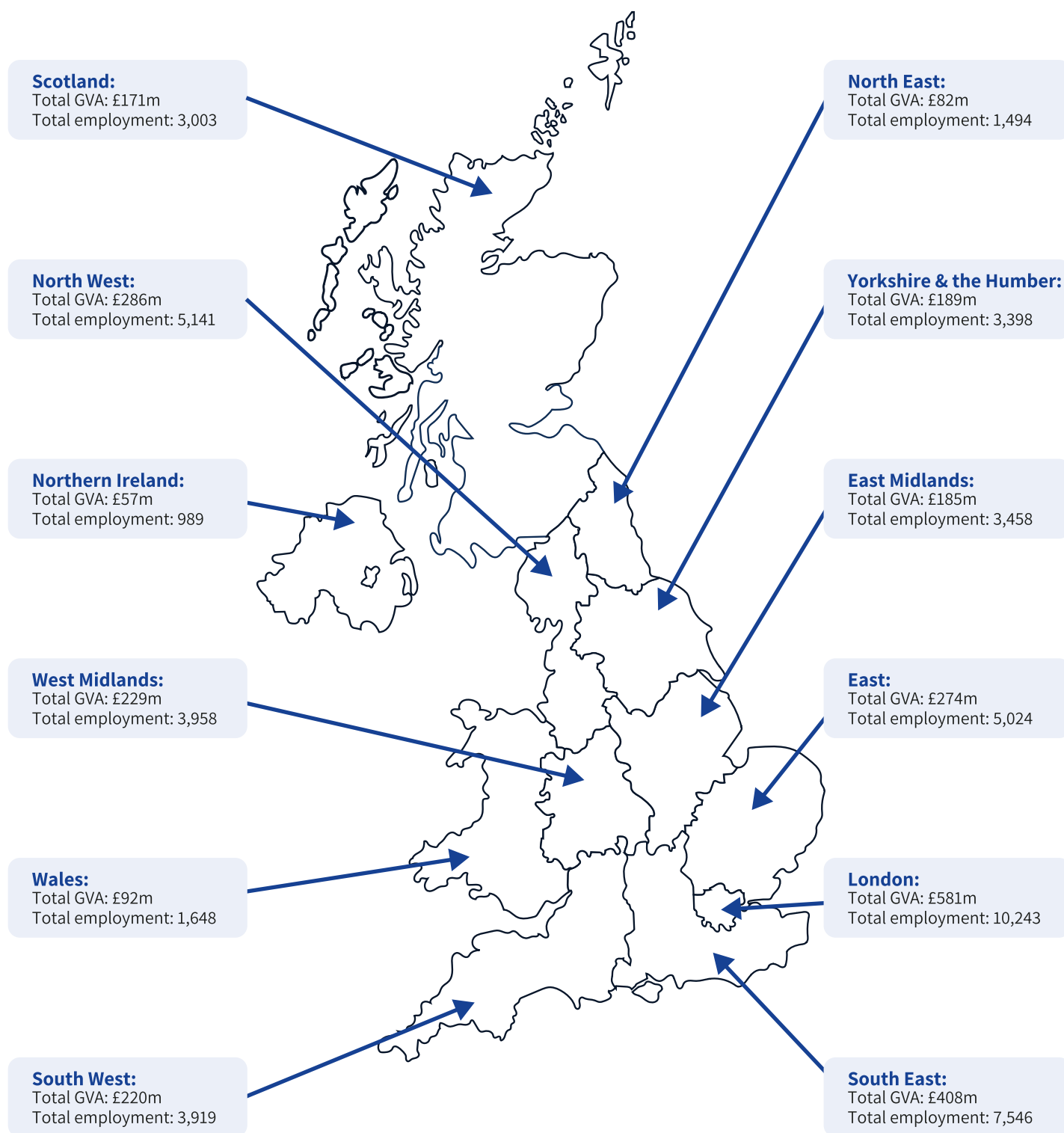
London is the main beneficiary of iwoca's lending

The economic activity supported by iwoca's loans stretched beyond the direct value of the loan. Of the £2.8 billion of UK GVA supported by iwoca's loans, around £581 million of the activity is concentrated in London. That's 21% of the overall UK GVA impact. (See Figure 26.)

iwoca's lending provided disproportionate support to the regions in England with SMEs struggling to access finance. Data from UK Finance showed that within England, lending to SMEs is lowest in the North East (3% of lending to SMEs in England), followed by the East Midlands (6%) and the East (8%).^[34] Of iwoca's loans deployed in the twelve months to 1 October 2025 to SMEs in England, 3% went to the North East, 8% to the East Midlands, and 12% to the East.

Moreover, the South East is responsible for around 14% of UK GDP, but saw a larger 15% of the total UK GVA impact of iwoca's loans. Meanwhile, the East of England contributes 8% of UK GDP, but 10% of the impact of iwoca's lending on the UK economy.

[34] UK Finance, SME lending within UK postcodes, 2025. Available [here](#).

Figure 26: Economic contribution of iwoca's lending in the UK, by region (12 months to October 2025)

Sources: Capital Economics, iwoca

4.4. The economic impact on the UK's local authorities

iwoca loans help a wide range of local authorities

Over the twelve months to 1 October 2025, iwoca's lending reached 178 local authorities across the UK – representing nearly half of all local authority areas. This widespread support has helped fuel economic growth at the local level, lending on average £7 million per local authority.

Camden was the top local authority by lending value, with 1,167 SMEs receiving loans worth £45 million. Dacorum follows closely, with 963 SMEs securing £35 million in loans, 25% of which was distributed to the construction sector. This aligns with local development plans indicating increased construction activity in 2024. ^[35] (See Figure 27.)

Relative to the local economic size, while iwoca's lending most benefitted Maldon (0.85%) and Adur (0.71%) in the South West, some of the local authorities that saw a proportional impact are Boston in the West Midlands and Stroud in the South West at 0.55% and 0.45%, respectively. (See Figure 28.)

Figure 27: Local authority breakdown of lending by iwoca in the UK, top 15 (12 months to 1 October 2025)

	Lending deployed (£m)	Number of SMEs (count)
Camden	45	1,167
Dacorum	35	963
Westminster	29	769
Newham	27	1,388
Slough	23	650
Haringey	22	910
Birmingham	20	643
Manchester	19	493
Woking	18	498
Harrow	18	653
Oxford	17	433
Leeds	17	519
Gateshead	16	410
Blaby	15	426
Hounslow	15	432

Sources: Capital Economics, iwoca

Figure 28: Breakdown of top 15 local authorities by iwoca lending relative to local economy in the UK, (12 months to 1 October 2025)

	Lending deployed (£m)	Number of SMEs (count)	Lending relative to GVA (%)*
Maldon	12	236	0.85
Adur	10	254	0.71
Babergh	14	494	0.67
Lewes	14	338	0.59
Dacorum	35	963	0.55
Boston	9	381	0.55
Woking	18	498	0.55
Fenland	12	316	0.53
Havant	15	286	0.51
Erewash	10	261	0.47
Haringey	22	910	0.46
Redditch	11	326	0.45
Stroud	14	353	0.45
Hartlepool	6	133	0.40
Harlow	10	328	0.38

Sources: Capital Economics, iwoca, ONS *Note: Calculation uses latest official data for GVA by local authority.

[35] Dacorum Borough Council, Dacorum local plan (2024-2040) Revised strategy for growth consultation, 2023, pg 2. Available [here](#).

Activity supported across the country

Economic activity in terms of GVA and employment is supported in each corner of the country, with all local authorities benefiting to some extent.

iwoca's lending had the largest economic impact on Westminster, supporting £69 million in GVA. Camden and the City of London followed closely with £64 million and £47 million in GVA. (See Figure 29.) Meanwhile, Birmingham, Leeds, Dacorum and Manchester each see between £39-£45 million of GVA supported.

The indirect and induced effects are particularly pronounced in central London's local authorities, reflecting the location of businesses in loan recipient's supply chains, particularly professional and financial services, as well as the spending by loan recipients' employees.

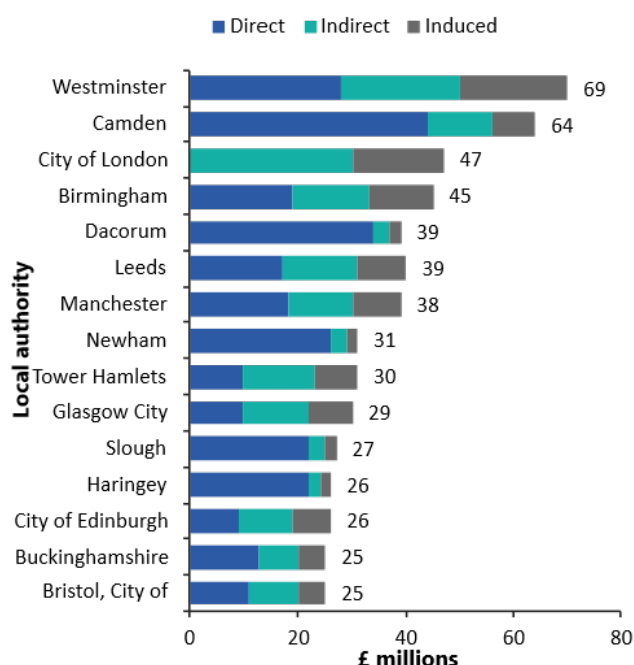
iwoca plays a vital role in disadvantaged areas

Although the top three local authorities with the highest total GVA supported are based in the region of London, iwoca's lending has also played a vital role in supporting SMEs across some of the UK's most economically deprived regions.

Roughly £203 million of iwoca's loans were deployed to SMEs located in the top 10% most deprived local authorities, based on real GDP per capita. Overall, iwoca's lending in these geographies supported economic activity to the tune of £166 million in GVA.

Among the top 10% of local authorities hardest hit by unemployment, iwoca supported around 8,300 jobs – 17% of the total employment supported by iwoca's lending in the UK.

Figure 29: Overall contribution of iwoca's lending in the UK to GVA by local authority, top 15 (£ millions)



Sources: Capital Economics, iwoca

5. Impact of iwoca’s lending on the German economy

6,881	German SMEs received loans from iwoca (12 months to October 2025)
€260m	Loans deployed over the 12 months to October 2025 in Germany
€584m	German GVA supported by iwoca’s loans
8,930	German jobs supported by iwoca’s loans

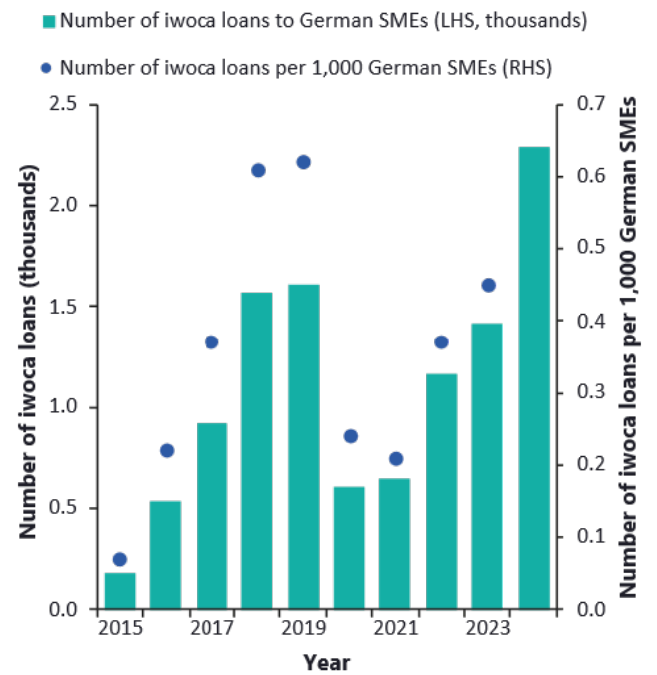
5.1. The economic impact on the German economy

Opportunity to expand reach of SME lenders

There is considerable scope for greater adoption of finance among German SMEs from challengers to the main banks. Loans from the main banks remain the dominant source of external funding, highlighting an opportunity to boost awareness and reach of SME lenders. (See Section 2.4.)

iwoca is well-positioned to support German SMEs broaden their access to finance beyond traditional banking channels. In 2015, relative to the number of SMEs in Germany, iwoca’s loan volumes totalled nearly 0.1 per 1,000 German SMEs. By 2023, this ratio had risen to 0.45, demonstrating iwoca’s growing market share, even with the temporary disruption during the Covid-19 pandemic. (See Figure 30.) As knowledge of non-traditional finance options improves amongst German SMEs, there is considerable scope to further expand iwoca’s coverage.

Figure 30: Number of loans issued by iwoca to German SMEs over time, number of iwoca loans (LHS, thousands) and per 1,000 German SMEs (RHS)



Sources: Capital Economics, iwoca, Statistisches Bundesamt. Note: 2024 data on the number of SMEs in Germany are not available.

iwoca’s loans reach almost 7,000 German SMEs

In the twelve months to 1 October 2025, a total of €260 million of iwoca’s loans were deployed by 6,881 SMEs across Germany. [36]

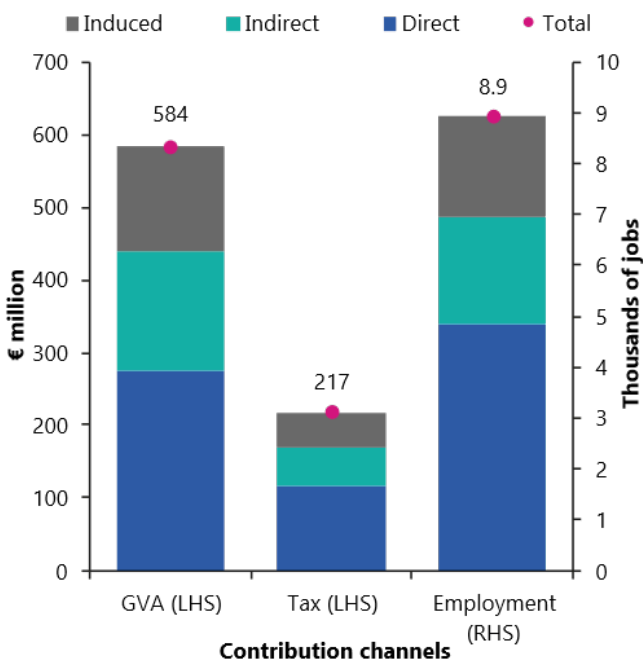
Over the twelve-month period, iwoca’s loans can be linked to around 8% of the value of these businesses’ revenues, based on the value of lending, revenue size, and the relative size of the average company’s liabilities. This represents an estimate of current activity associated with the loan, based on the size of iwoca’s loan relative to the size of the company’s balance sheet. In Section 3, we produced estimates of the impact of iwoca’s loans on growth of current account inflows, by conducting regression analysis on UK businesses who took out a loan compared with those who did not.

[36] Analysis of iwoca loan book; customers with new loans and outstanding balances.

€584m supported in GVA by iwoca lending

iwoca's lending to SMEs in the twelve months to 1 October 2025 supported an estimated €584 million in GVA and around 8,930 jobs. This economic activity is linked to an estimated €217 million in tax revenues generated across the same period. (See Figure 31.) For every €100 of iwoca lending deployed by German businesses, €225 of GVA is supported.

Figure 31: Overall economic contribution of iwoca's lending in Germany (LHS, €m and RHS, thousands)



Sources: Capital Economics, iwoca

Wide economic impact of iwoca loans in Germany

The total estimated economic impact of €584 million consists of direct, indirect and induced impacts.

iwoca's lending activity directly contributed €276 million to Germany's GVA, supporting 4,840 jobs and €117 million in tax revenues. These direct contributions reflect the immediate economic activity triggered by iwoca's loans – enabling iwoca's customers to invest, generate profits and pay local workers.

Beyond the direct economic contribution, iwoca's customers stimulate further activity by procuring goods

and services as part of their German supply chain. The 'indirect impact' of iwoca's lending supported an estimated €162 million in GVA, 2,120 jobs and €52 million in tax revenue.

iwoca's lending also stimulated the economy through spending by its customers' employees. The 'induced impact' of iwoca's lending was estimated to be €146 million in GVA, 1,970 jobs supported and €48 million in tax revenue generated.

5.2. The economic impact on Germany's industries

iwoca funds SMEs across a variety of sectors

In the twelve months to 1 October 2025, the wholesale and retail and manufacturing sectors received the largest share of iwoca's lending in Germany. Together, these two sectors represent nearly half of the total loan value in Germany, and 44% of iwoca-funded SMEs. (See Figure 32.)

Figure 32: Industry breakdown of lending by iwoca in Germany (12 months to 1 October 2025)

	Lending deployed (€m)	Number of SMEs (count)
Wholesale & Retail	105	2,528
Manufacturing	22	496
Professional services	21	573
ICT	20	561
Construction	16	461
Other personal services	14	455
Health & Care	13	332
Hospitality	11	281
Transport	10	231
Administrative services	7	197
Finance	6	319
Real Estate	4	148
Education	3	110
Recreation	3	75
Agriculture and Mining	2	77
Utilities	2	36
Public Admin & Defence	0	0
Total	260	6,881

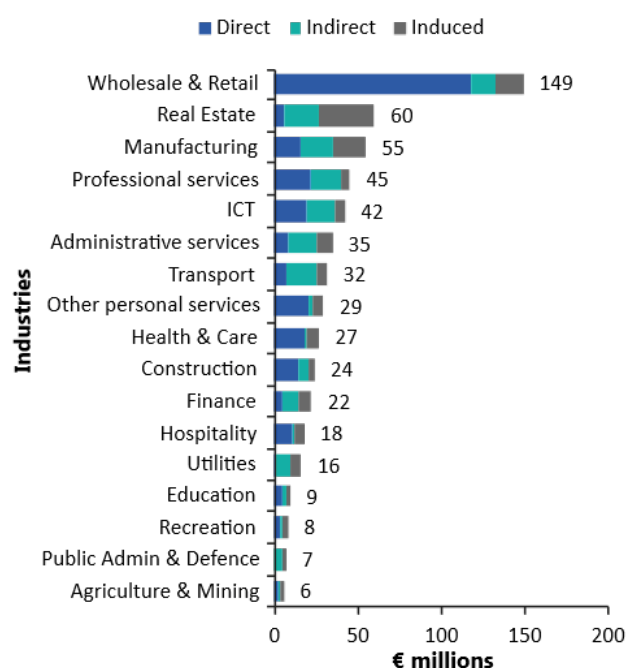
Sources: Capital Economics, iwoca

Largest economic impact in wholesale and retail

As in the UK, the wholesale and retail sector had the largest economic impact from iwoca's lending, at €149 million of GVA. This stems from the fact the sector receives a large share of iwoca's loans.

Lending to the real estate and manufacturing sectors supported GVA of €60 million and €55 million, respectively. (See Figure 33.) For these sectors, the indirect and induced impacts surpass the direct impact. A sizeable amount of activity supported is through supply chain spending and the spending of the employees of iwoca's customers.

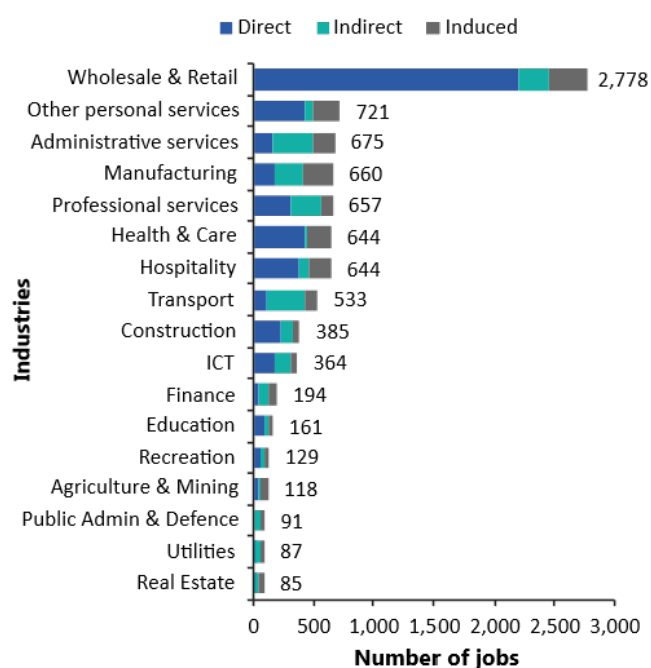
Figure 33: Overall contribution of iwoca's lending in Germany to GVA by industry (€ millions)



Sources: Capital Economics, iwoca

In terms of employment, iwoca's lending supported the greatest number of jobs in the wholesale and retail sector at 2,778. (See Figure 34.) This is followed by more labour-intensive industries – Other personal services and Administrative services – which supported 721 and 675 jobs, respectively.

Figure 34: Overall contribution of iwoca's lending in Germany to employment by industry (number of jobs)



Sources: Capital Economics, iwoca

5.3. The economic impact on Germany's regions

iwoca loans have helped SMEs across Germany

SMEs in Nordrhein-Westfalen were the leading recipient of iwoca's loans, securing 23% of the total value of lending in the twelve months to 1 October 2025. This is notable given that, in 2022, the region contributed a smaller 21% of Germany's total economic output.

Bayern and Baden-Württemberg were the second and third biggest beneficiaries of iwoca's lending, with 16% and 12% of iwoca's total lending value over the twelve month period, respectively.

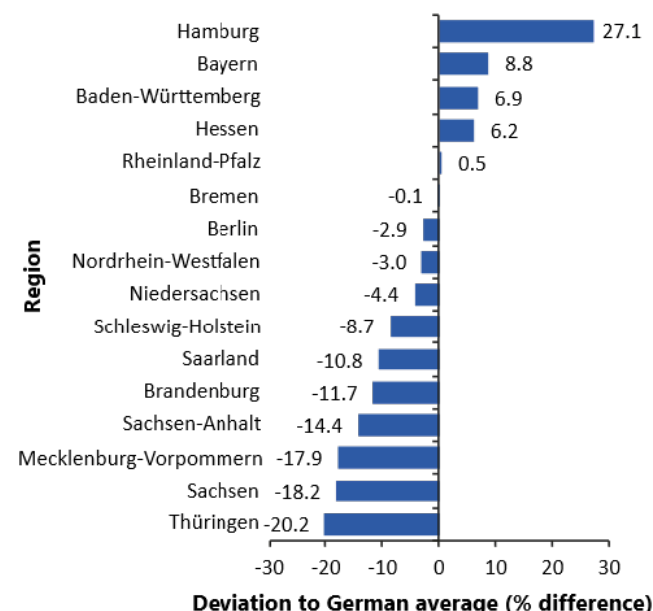
Figure 35: Regional breakdown of lending by iwoca in Germany (year to 1 October 2025)

	Lending deployed (£m)	Number of SMEs funded (count)	SMEs funded as a share of regional total (%)*
Nordrhein-Westfalen	60	1,435	0.22
Bayern	43	1,135	0.20
Baden-Württemberg	32	822	0.19
Niedersachsen	24	635	0.24
Hessen	20	538	0.22
Berlin	14	354	0.21
Sachsen	13	378	0.27
Rheinland-Pfalz	10	291	0.20
Brandenburg	9	254	0.29
Schleswig-Holstein	9	282	0.25
Hamburg	8	214	0.23
Thüringen	6	179	0.26
Mecklenburg-Vorpommern	5	120	0.22
Sachsen-Anhalt	4	128	0.20
Bremen	2	49	0.21
Saarland	2	68	0.20
Total	260	6,881	0.22

Sources: Capital Economics, iwoca. *Note: Calculation uses latest official data for the number of SMEs by region.

iwoca's loans disproportionately helped the least productive regions. Over the twelve months, iwoca's loans funded 0.22% of all SMEs across Germany. The share of SMEs by region funded by loans was largest in Brandenburg, Sachsen and Thüringen, at 0.29%, 0.27% and 0.26%, respectively. (See Figure 35.). These three regions are among the least productive regions in the country – with output per hour at 11.7%, 18.2% and 20.2% below the national benchmark. (See Figure 36.) Lending to regions with weaker productivity should help lift investment and efficiencies, boosting future growth prospects.

Figure 36: Regional percentage deviation in output per hour from the German average (% , 2022)



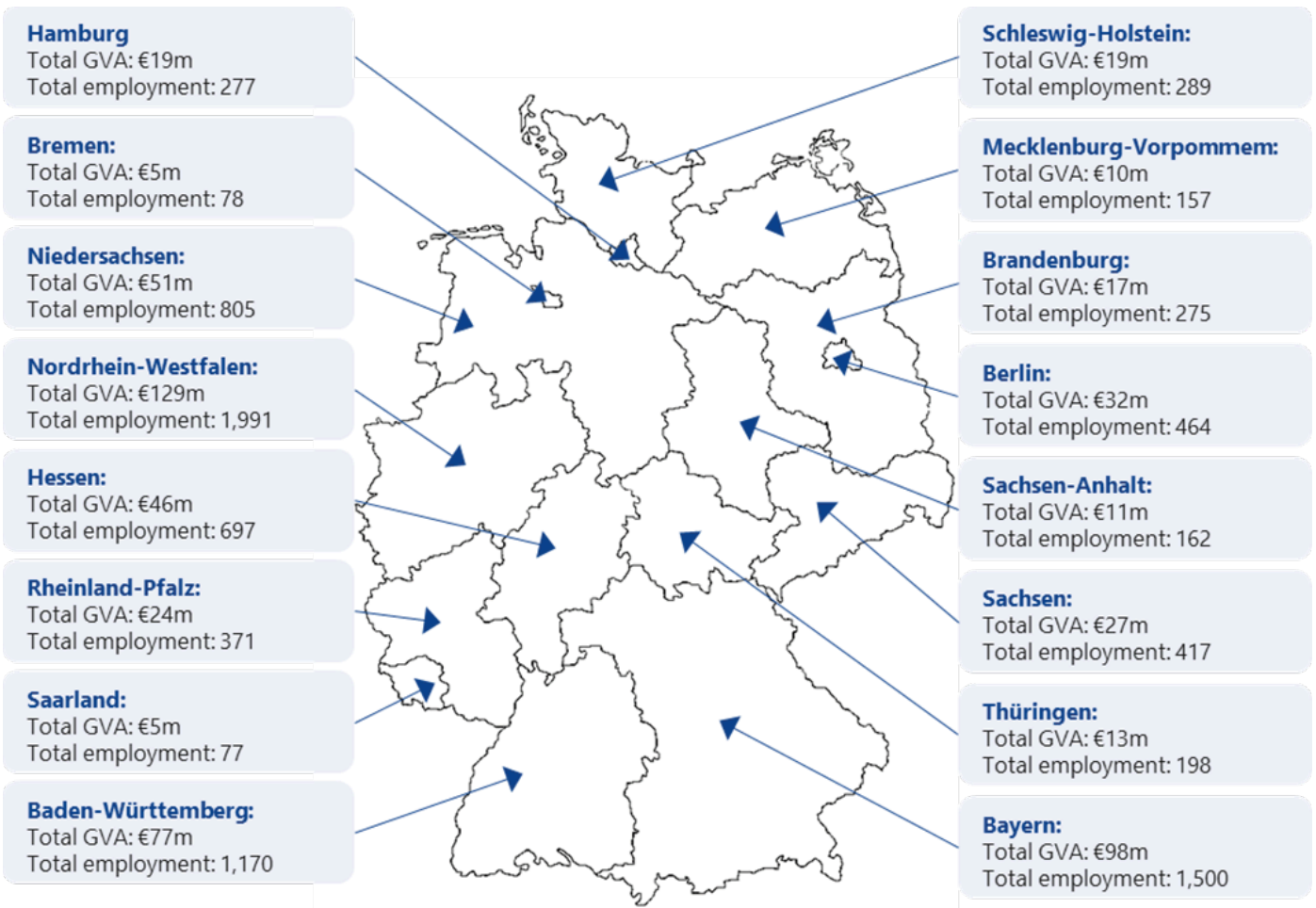
Sources: Capital Economics and Eurostat

iwoca lending strengthens regional SME output

iwoca's lending has supported economic activity across every region of Germany. Of the €584 million of GVA supported by iwoca's loans in Germany, most of the activity is concentrated in Nordrhein-Westfalen, which accounts for roughly €129 million, 22% of the total impact. This region also saw the highest employment impact from iwoca's lending, with over 1,990 jobs supported, accounting for 23% of all jobs linked to iwoca's loans across Germany.

Bayern and Baden-Württemberg accounted for 17% and 13% of the total GVA impact across Germany, respectively. Combined, these two regions accounted for over 2,600 jobs supported through iwoca's lending – representing nearly a third of the total employment impact in Germany. (See Figure 37.)

Figure 37: Economic contribution of iwoca's lending in Germany, by region (12 months to 1 October 2025)



Sources: Capital Economics, iwoca

5.4. The economic impact on Germany's local authorities

iwoca credit reaches diverse German authorities

In the twelve months to 1 October 2025, iwoca's lending reached 398 local authorities across Germany – covering almost the entire country. An average of €0.7 million was disbursed per local authority by iwoca.

Berlin was the leading recipient of iwoca's loans, securing €14 million in funding and supporting around 350 SMEs.

Figure 38: Local authority breakdown of lending by iwoca in Germany, top 15 (12 months to 1 October 2025)

	Lending deployed (€m)	Number of SMEs (count)
Berlin	14.3	354
Hamburg	7.9	214
City of Munich	6.8	149
City of Cologne	4.0	87
Hannover Region	3.6	99
City of Düsseldorf	3.6	74
City of Frankfurt	2.8	78
Munich (Rural District)	2.7	60
City of Schweinfurt	2.4	52
Starnberg	2.3	32
City of Coburg	2.2	49
Mettmann	2.1	51
City of Essen	2.1	49
Schaumburg	2.1	31
City of Leipzig	2.0	70

Sources: Capital Economics, iwoca

Hamburg and the City of Munich followed with €8 million and €7 million, respectively. (See Figure 38.)

Compared to the scale of local economies, iwoca's lending had the greatest impact on the City of Neustadt an der Weinstraße (0.08%) in Rheinland-Pfalz and Hildburghausen (0.07%) in Thüringen. Other authorities with notable proportional gains include the City of Coburg in Bayern (0.05%) and Helmstedt in Niedersachsen (0.04%). (See Figure 39.)

Figure 39: Breakdown of top 15 local authorities by iwoca lending relative to local economy in Germany (12 months to 1 October 2025)

	Lending deployed (€m)	Number of SMEs (count)	Lending relative to GVA (%)*
City of Neustadt an der Weinstraße	1.4	44	0.08
Hildburghausen	0.8	30	0.07
City of Pirmasens	0.8	12	0.05
City of Coburg	2.2	49	0.05
Schaumburg	2.1	31	0.05
City of Schweinfurt	2.4	52	0.05
Wesermarsch	1.5	34	0.05
Kyffhäuserkreis	0.8	15	0.04
Cochem-Zell	0.9	16	0.04
Wolfenbüttel	1.1	23	0.04
Vulkaneifel	0.8	21	0.04
Helmstedt	0.8	16	0.04
Starnberg	2.3	32	0.04
Schweinfurt (Rural District)	0.8	31	0.03
Neuburg-Schrobenhausen	1.0	16	0.03

Sources: Capital Economics, iwoca, Eurostat *Note: Calculation uses latest official data for GVA by local authority.

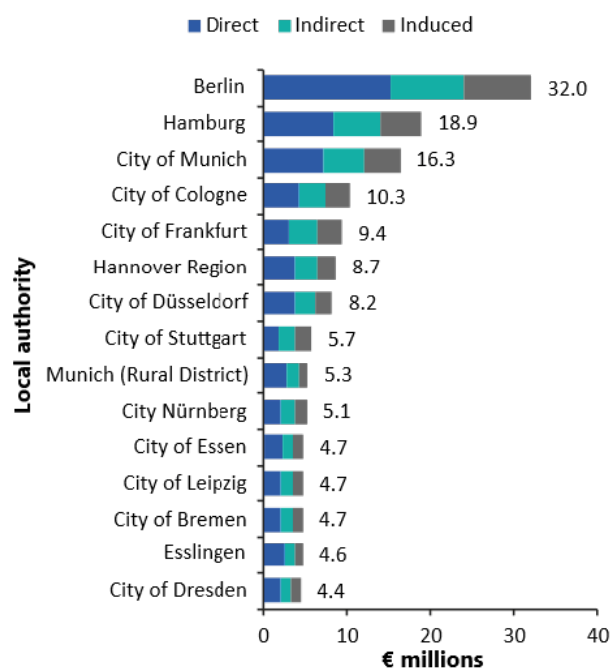
Weaker areas benefit from iwoca's lending activity

In terms of economic impact, Berlin once again leads the group, benefitting from €32 million in total GVA supported by iwoca's lending. Hamburg and the City of Munich also reported gains of €19 million and €16 million in total GVA supported. (See Figure 40.) These figures demonstrate the broad reach and effectiveness of iwoca's lending in driving economic growth across Germany.

The lending by iwoca has played a crucial role supporting SMEs across some of Germany's most economically disadvantaged regions.

Roughly €32 million in iwoca loans have been deployed to SMEs in the top 10% most deprived local authorities, based on real GDP per capita. The GVA supported in those geographies totalled €31 million.

Figure 40: Overall contribution of iwoca's lending in Germany to GVA by local authority, top 15 (€ millions)



Sources: Capital Economics, iwoca

6. Economic impact of iwoca's business operations

iwoca's UK operations supported £249m in GVA

iwoca's lending and financial services operations play a vital role in driving economic activity and employment in the UK.

Overall, in the year to H1 2025, iwoca's business operations supported an estimated £249 million in GVA and 2,200 jobs throughout the UK economy.

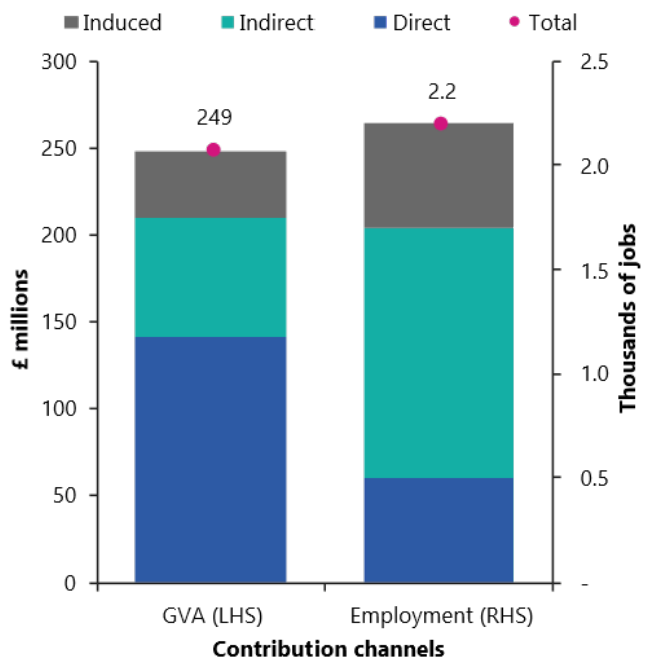
Through its core operations, iwoca contributed £141 million in GVA and directly supported 503 jobs. Its supplier spending underpinned £69 million in GVA and 1,172 jobs, while spending by iwoca's employees supported £38 million in GVA and 548 jobs in the UK. (See Figure 41.)

191 jobs were supported by iwoca in Germany

In the year to H1 2025, iwoca's operations in Germany supported €20 million in GVA and 191 jobs throughout the economy.

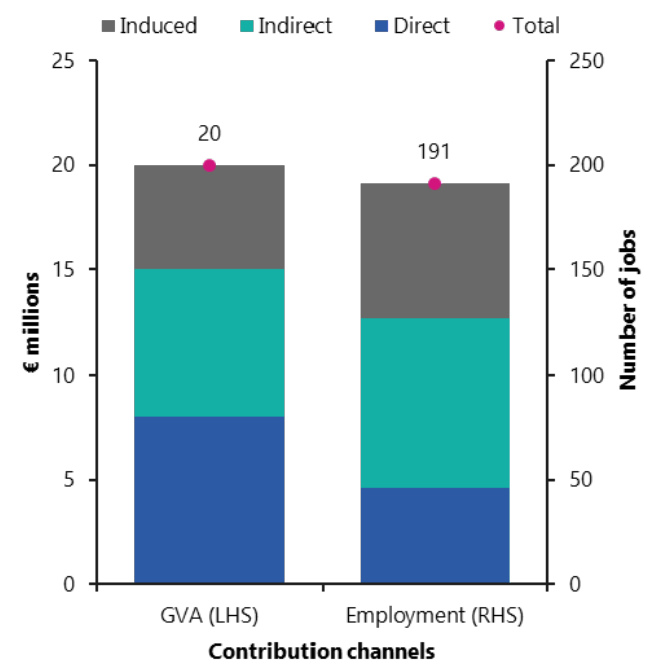
iwoca's core operations generated €8 million in GVA and 46 direct jobs. The company's expenditure on suppliers facilitated €7 million in GVA and 81 jobs, with spend by its employees supporting €5 million in GVA and 64 jobs in Germany. (See Figure 42.)

Figure 41: Overall economic contribution of iwoca's operations in the UK, year to H1 2025, (£m LHS and thousands RHS)



Sources: Capital Economics, iwoca

Figure 42: Overall economic contribution of iwoca's operations in Germany, year to H1 2025 (€m LHS and number of jobs RHS)



Sources: Capital Economics, iwoca

7. Case study: JBN Beverages



“The most important thing for me is that our customers genuinely enjoy our drinks – born from homemade goodness I grew up with!”

Janet Theodore,
Founder of JBN Beverages.

Founded in 2018 by Janet and her daughters, Bethany and Nicole – the J, B, and N – JBN grew from Janet’s pivot from food safety. Inspired by her mother’s homemade recipes and encouraged by friends, she launched a range of tasty, healthy, convenient soft drinks as an alternative to alcohol. With support from iwoca, Janet secured a loan to fund recipe testing for their latest range. JBN is now stocked across the UK and expanding into Germany, France, and the US.

8. iwoca's products

iwoca provides a range of finance products and services designed to support SMEs with cash flow challenges or to enable them to make the most of growth opportunities.

Flexi-loan

The iwoca Flexi-Loan is a digital working-capital loan for SMEs, offering £1k–£1m up to 60 months with decisions in minutes and funding within hours. Businesses can draw down as needed, top up during the term (subject to re-approval), and repay flexibly via fixed monthly instalments or revenue-based payments, with the option to repay early to save interest.

Insurance

iwoca's small-business insurance service that helps SMEs understand the cover they need and buy it quickly with transparent, jargon-free pricing.

Credit Compass

Credit Compass is a free tool that helps businesses understand, monitor, and improve their credit with regular guidance – building trust and re-engaging past customers.

iwocaPay

An integrated trade credit and payment solution that enables suppliers to get paid instantly, while letting their trade customers access up to £30,000 and spread payments over 1, 3 or 12 months.

Credit cards

iwoca's credit card is a digital-first business card for UK SMEs (coming soon).

9. Appendix

9.1 Economic impact methodology

In order to estimate the economic impact of iwoca's lending on the UK and German economies, data was collected on iwoca's entire loan book. Metrics collected included loan value, company revenues, location and industry sector for the UK and Germany.

The "iwoca share" of the customers' revenues that can be attributed to iwoca was estimated taking the following steps:

- The size of each company's liabilities was estimated by dividing revenue by a factor of two, based on desk research of the average asset to liability ratio.
- The loan value as a share of liabilities was applied to each company's revenues to calculate the revenues of each company that can be tied to iwoca's lending.

After aggregating the revenues by industry, these were fed into Capital Economics' input-output models by sector to generate results for direct, indirect and induced Gross Value Added (GVA) and employment.

Capital Economics' input-output models are based on official input-output tables published by the Office for National Statistics for the UK and the OECD for Germany.

Direct impacts were split using the geographic information provided by iwoca. Indirect and induced impacts were split using official employment data by sector and geography.

Economic impact analysis was conducted on iwoca's loan book for the twelve months to 30 April 2025. Estimates were updated for the twelve months to 1 October 2025 using growth in total lending values and growth in the total number of SMEs receiving loans for the UK and Germany. We assume the geographic and sectoral breakdowns are unchanged between the two periods.

9.2 Current account analysis methodology

Capital Economics has conducted analysis of Current Account Turnover (CATO) data to investigate the impact of iwoca's loans on their customers' accounts.

The dataset:

iwoca provided Capital Economics with CATO data for around 19,500 firms in the UK:

- The data are monthly and the reporting dates span from December 2021 to May 2025.
- Key variables include monthly values for total inflows (`credit_turnover_sum`) and total outflows (`debit_turnover_sum`) to and from the customer's current account.
- Each customer has at least one loan application in the dataset, with the date of the credit assessment, whether a loan was granted, and the value of the loan.

Cleaning the data:

We drop any customers if we do not have a full 12 months of data either side of their credit assessment. In addition, we exclude any users who have inflows (`credit_turnover`) equal to zero at the time of the credit assessment.

After cleaning the data, our final sample includes 8,100 firms, with around 16% of these customers receiving a loan over the 24-month period.

Creating variables for regression analysis:

To conduct our regression analysis, we created dummy variables to capture loan treatment. The dummies used in the final regressions are:

- `loan_active` dummy variable. This captures whether a given customer had an iwoca loan in place at a given reporting date. The dummy takes value 1 if the loan is in place, 0 if no loan is in place.

- `_1_6_months_from_loan` dummy variable for the first six months the loan is in place. `_7_12_months_from_loan` for the following six months the loan is in place. This is used to test whether the loan has a different effect immediately after it is granted.
- Dummy variables for the industry the customer is in, e.g., `ind_construction`. The dummy takes value 1 if the customer is in the given industry, 0 otherwise.
- We take logarithms of the `credit_turnover_sum` value and the `debit_turnover_sum` values. This helps to improve the robustness of our model, by normalising the distribution. Taking logs also enables interpretation in relative terms, i.e., as percentage impacts.

Model specification:

We use a panel data model, with company-fixed effects and time-fixed effects, thus controlling for company-specific traits and time trends.

- For example, company-fixed effects account for different business models between firms, management style, sectoral and geographical differences.
- For example, time-fixed effects account for macro-level shocks, such as policy changes and economic cycles.

Robustness is supported by our fixed effects panel approach, which controls for unobserved heterogeneity across firms and time. Additionally, the dataset includes observations both before and after loan issuance, granted at varying times, as well as firms that never receive a loan, enabling credible identification of loan effects.

Our main finding is that having a loan in place is associated with 19% higher monthly account inflows, on average in the seven to twelve months post-loan, compared to not having a loan. This is given by the regression results of $\beta_2 = 0.19$ in the following model specification:

$$\log(\text{credit_turnover_sum}_{it}) = \beta_1 \text{loan_active}_{it1-6m} + \beta_2 \text{loan_active}_{it7-12m} + \alpha_i + \gamma_t + \varepsilon_{it}$$

Where notation i indicates firms, t time periods, α_i are company fixed effects and γ_t are time fixed effects.

Caveats:

There are some caveats to interpreting the results:

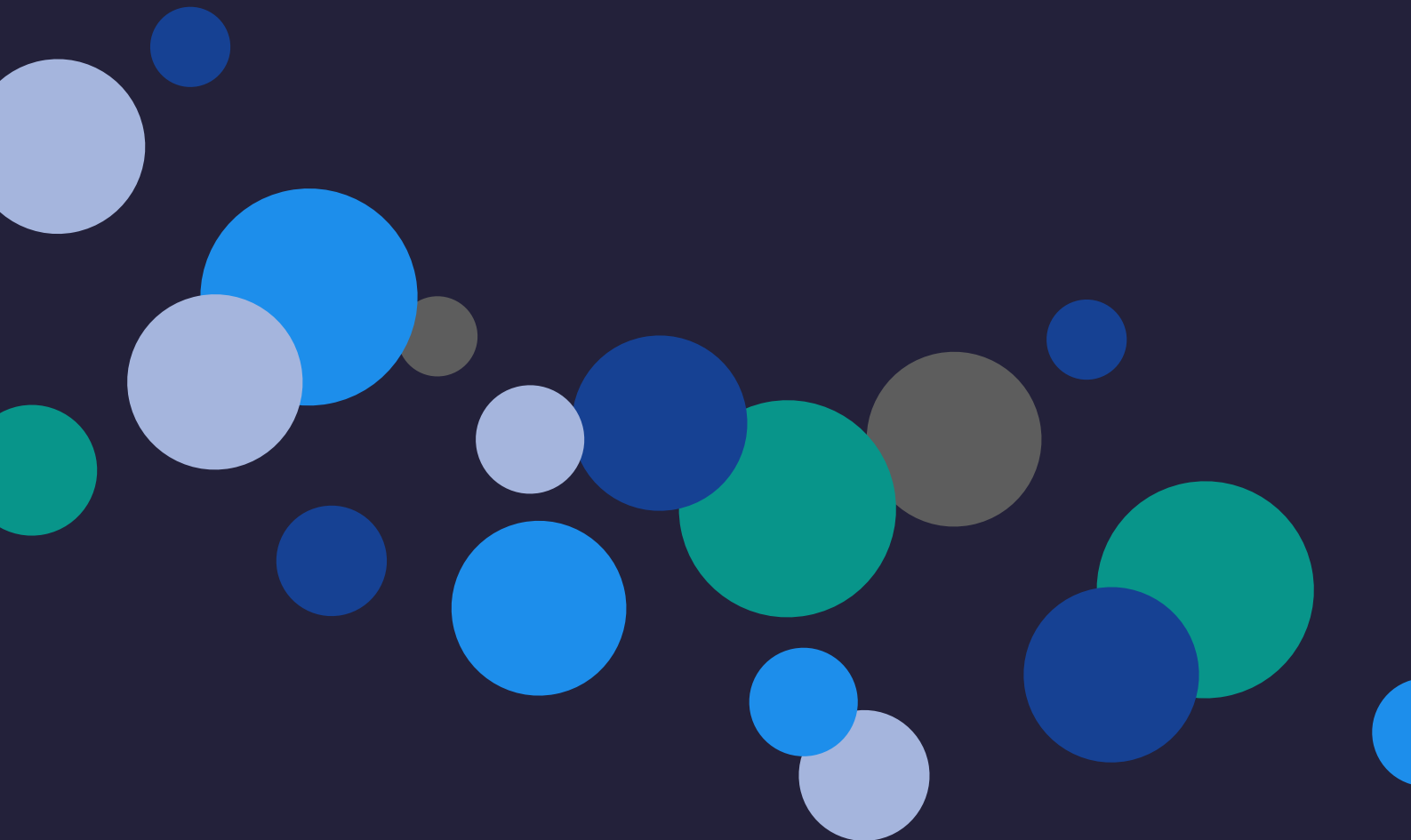
- Companies could be receiving loans from different providers, that we don't have data on.
- Companies could have other current accounts not captured in this dataset.

Dataset could include the value of the loan itself in the `credit_turnover_sum` data. However, our findings that the loan has a positive significant impact after seven months suggest this is unlikely to be driving the positive relationship.

Additional analysis as robustness check

Our main analysis was conducted on 8,100 firms' current accounts in order to assess the impact of taking on a loan from iwoca on its customers' current account inflows.

To test the robustness of our findings, we conducted additional analysis on a different sample of 3,262 firms. The robustness of these results is supported by random selection into treatment, which helps to reduce the bias. The positive and significant impact of the loan on current account inflows for this sample supports our main findings.



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