

# SME financing: How Froda is helping banks and fintechs meet the demand

*Financing is a major hurdle for a lot of SMEs. In Europe alone, there are around 25 million SMEs and 70% of them rely on a bank for their external financing needs.*

Temps de lecture : minute

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However, SMEs are not the ideal loan customer for banks – they borrow smaller amounts, but assessing them takes about the same time as assessing applications for larger loans from big companies.

It's harder to reach profitability in the SME financing segment, leading to banks and financial institutions to not prioritise SME lending. This, in turn, has led to the needs of SMEs not being served.

## Addressing the market gap

The financing gap creates an opportunity for companies like *Froda*, which gives banks, neobanks, fintechs and other business services the opportunity to offer business loans and similar financing solutions to their SME clients, through its embedded financing offering.

“Providing SMEs with a solution to their unmet financing needs is going to yield a lot of positive outcomes in addition to adding additional revenue streams,” Stella Snickare, VP Froda Embedded, tells *Maddyness UK*.

“It will also boost loyalty, satisfaction and potential growth. Giving their

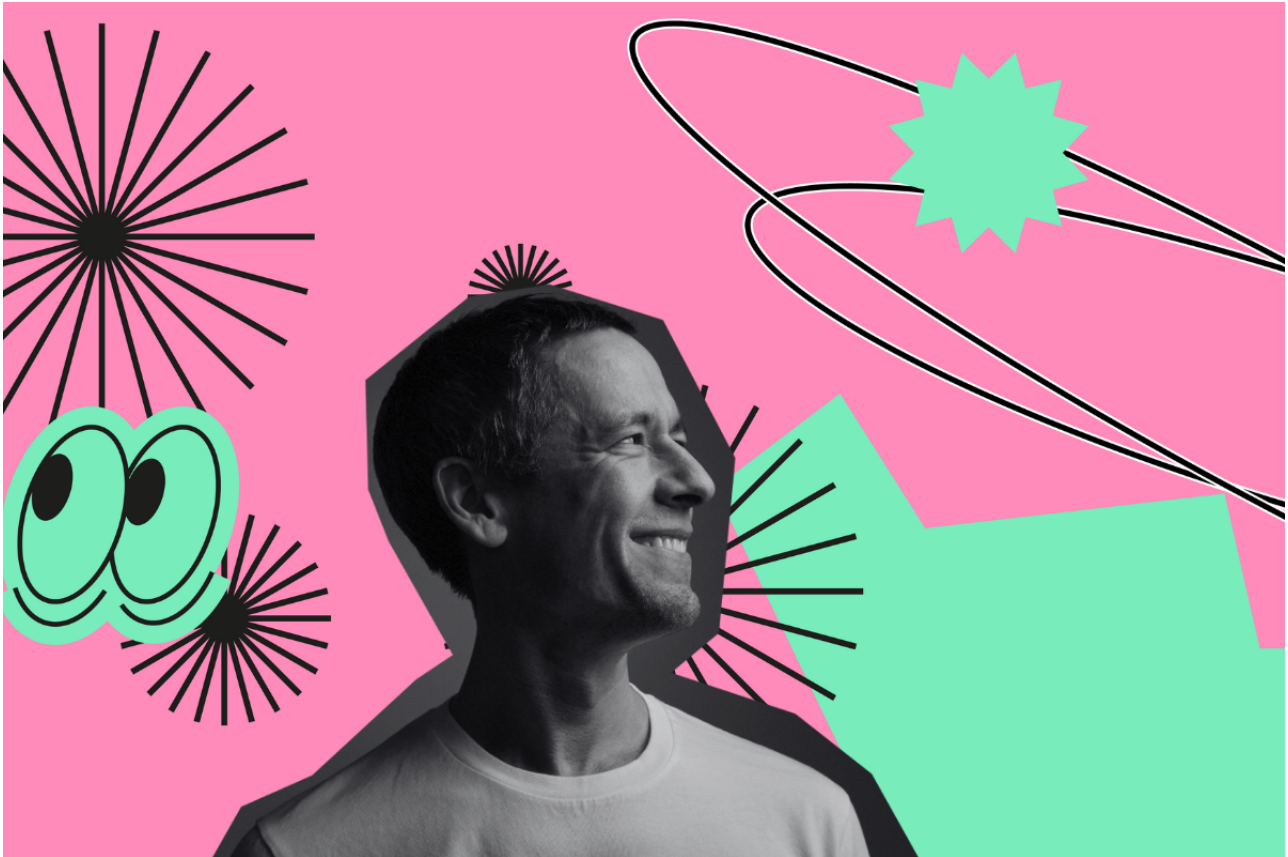
customers access to financing will enable the customer to grow their business, which on average will lead to them increasing their overall business volume with the company as well.”

Froda's partnership with the Danish fintech group Ageras was announced in November last year and went live in early 2024 with German neobank Kontist, which focuses on serving freelancers and self-employed people.

Kontist customers are able to access Froda’s white labelled loan products directly in the Kontist banking app.

“We leverage banking data that Kontist has to improve our credit scoring and deliver an overall improved product for the end-customer,” says Snickare. “By using the debit card that Kontist issues to disburse our loans and pull funds for amortisations, the customer experience is further improved compared to having to deal with manual payments and invoices.

“We are now working with Ageras to bring embedded financing to more of the companies within the group and to bring it to additional markets too.”



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## New revenue streams

For traditional banks, being able to offer financing to SMEs isn't the problem - it's making it profitable and at scale. Snickare says integrating embedded financing solutions allows the banks to serve a part of their customer base that has been mostly overlooked and be profitable while doing so. It also decreases the risk of losing SME customers to competitors.

Neobanks, on the other hand, might not have business financing as part of their offering, but want to in order to offer the full range of services that traditional banks do - but lending requires infrastructure, technology and credit models that they might not have.

“By integrating financing, they save a lot of the costs and headaches associated with having to build and develop it by themselves,” says Snickare. “Hence, embedded financing offers a fast track for them to broaden their palette of services that enable them to serve their customers with a full-service banking experience”.

“For fintechs and payments companies, as well as other business service providers, the relevance and outcome depends on what they are looking for. In many cases, they are looking to add financing as a value-added service to their customers in order to get an additional revenue stream that boosts their customer loyalty, satisfaction and growth.”

Snickare adds that Froda offers a plug-and-play solution that allows customers to get it up and running in no time within their existing portals. In other cases, the partner is purely interested in accessing cost-effective and reliable funding to build their own financing products – or to scale existing ones.

Froda’s passportable EEA licence, which enables firms that are authorised in any EEA state to trade freely in any other with minimal additional authorisation, means they can provide this funding.

“We offer companies that don’t have the technology, infrastructure or funding themselves the opportunity to integrate it into their existing environment in order to provide financing solutions to their customers,” adds Snickare. “Our licence makes it easy to scale the offering and take it to new markets.”

## Future expansion

The Swedish fintech is currently live with its embedded offering through partnerships in Germany, the UK, Ireland, Sweden, Denmark, Finland and Norway – and the team is eyeing further expansion when the time is right.

“We have a partner-driven expansion strategy, which means that we enter new markets depending on the needs of our current and prospective partners,” explains Snickare. “There are ongoing talks about launching in additional markets with more than one current and potential partners. We anticipate that we will enter three to four new markets within a 12-month period.

“We’re also working with Visa to continue to increase our partnership and scale our joint solutions across Europe.”

*Stella Snickare is VP at [Froda Embedded](#).*



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