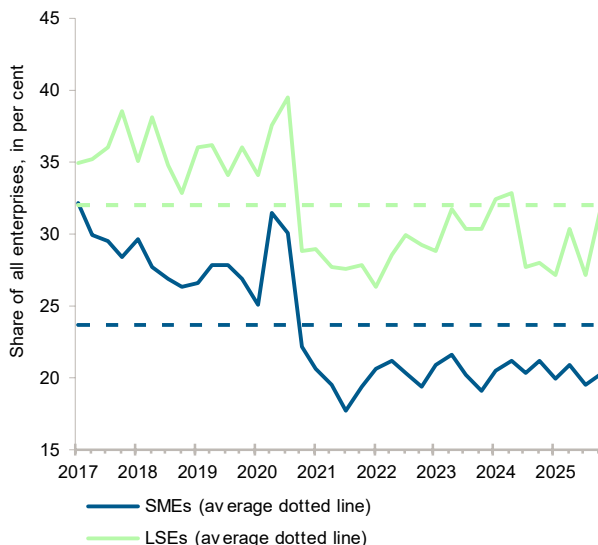


# Small and medium-sized enterprises struggle to access credit

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- The restrained demand in the business loan market grew only slightly in the fourth quarter of 2025. Large enterprises were the only group to exhibit more interest in borrowing. With the end of the interest rate reduction cycle, it is now hoped that the anticipated economic recovery in 2026 will revive demand.
- Access to loans is becoming increasingly more restrictive for businesses in need of finance. More than one in three small and medium-sized enterprises (SMEs) reports tighter access to loans – another new record.

Percentage of enterprises in loan negotiations



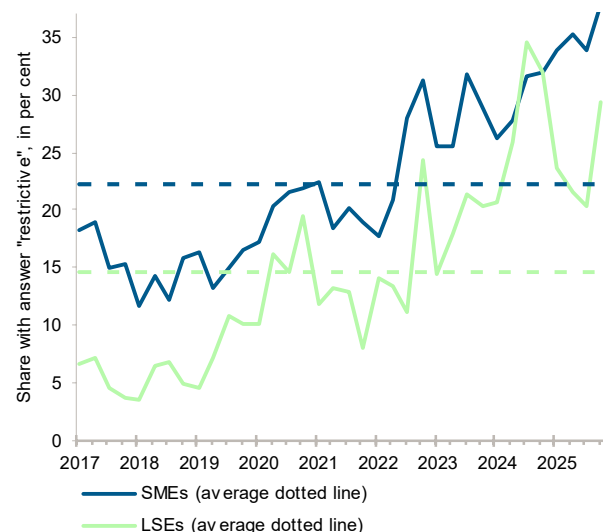
Sources: KfW Research, ifo Institute

## The signs of a recovery in demand are faint

The absence of an economic rebound thus far continues to reduce businesses' interest in finance. The sharp drop in loan interest rates since the start of the year whetted the appetite for new loans only among large enterprises in the fourth quarter of 2025. The share of large enterprises that were in loan negotiations grew by a noticeable 4.3 PP to 31.5%, which was close to the long-term average. However, there are still no signs of a sustained trend reversal as the data supplied by large enterprises tends to fluctuate heavily. At the end of the year, the slightly more consistent data from small and medium-sized enterprises (SMEs) almost stagnated at the level of the previous quarter, at +0.7 PP. Only around one in five SMEs (20.2%) were in loan negotiations in the fourth quarter, much fewer than the long-term average.

The interest rate reduction cycle has likely come to an end, and apparently without significantly driving demand. The economic recovery expected in 2026 could improve the conditions for stronger borrowing appetite.<sup>1</sup>

KfW ifo Credit Constraint Indicator: How did banks conduct themselves in loan negotiations?



## Access to credit for SMEs: conditions are tighter than ever

Businesses of both size classes have reported tighter-than-average conditions from banks in loan negotiations for around three years. The share of businesses of both size classes deploring restrictive lending practices increased in the fourth quarter of 2025 as well. The trend intensified particularly for SMEs. The KfW-ifo Credit Constraint Indicator rose to new record levels for SMEs almost without exception since autumn of 2024, now climbing to its highest level of 37.8% (+3.9 PP) since data were first recorded in 2017. The share of large enterprises with difficulty accessing credit rose by a significant nine PP to 29.4% but remained below its record high. The structural problems in the economy and the persistently weak business cycle, exacerbated by the challenges in the external environment, were likely the main drivers of the extremely restrictive lending practices of banks. Banks appear to be anticipating a deterioration in businesses' fundamentals, particularly the profit situation of SMEs, as a result of ongoing stress factors and are therefore acting with caution.<sup>2</sup>

The credit constraint indicator of the individual economic sectors has also risen to record levels. More than 40% of SMEs in the retail (45.2%) and services sector (41.4%) experienced difficulties accessing credit towards the end of the year. Within the sectors, the restrictions are therefore at record levels. Access to credit is particularly tight for large

enterprises in retail (49.7%) and wholesale (41.7%), with the constraint indicator on a record high level. These developments are consistent with the worsened business sentiment among SMEs and large enterprises in the economic sectors mentioned between October and December.<sup>3</sup>

## The KfW-ifo Credit Constraint Indicator in figures

Share in per cent		Quarter / Year						
		Q4/24	Q1/25	Q2/25	Q3/25	Q4/25	Vq.	Vj.
<b>Credit constraint</b>								
Manufacturing	SME	33.4	33.2	35.7	34.5	35.1	0.6	1.7
	LSE	35.5	20.8	19.6	15.5	28.3	12.8	-7.2
Construction	SME	24.8	29.6	26.8	27.6	29.6	2.0	4.8
	LSE	28.0	33.3	20.2	37.0	31.3	-5.7	3.3
Wholesale trade	SME	36.7	36.8	41.0	37.9	35.6	-2.3	-1.1
	LSE	21.6	27.8	24.5	21.1	41.7	20.6	20.1
Retail trade	SME	37.2	33.5	35.3	45.6	45.2	-0.4	8.0
	LSE	36.2	20.4	31.5	32.7	49.7	17.0	13.5
Services	SME	31.6	35.0	36.2	33.3	41.4	8.1	9.8
	LSE	27.9	27.0	20.2	21.6	20.3	-1.3	-7.6
<b>Germany</b>	<b>SME</b>	<b>32.0</b>	<b>33.8</b>	<b>35.2</b>	<b>33.9</b>	<b>37.8</b>	<b>3.9</b>	<b>5.8</b>
	<b>LSE</b>	<b>31.9</b>	<b>23.6</b>	<b>21.5</b>	<b>20.4</b>	<b>29.4</b>	<b>9.0</b>	<b>-2.5</b>
<b>Share of enterprises</b>	SME	21.1	19.9	20.9	19.5	20.2	0.7	-0.9
<b>in loan negotiations</b>	LSE	28.0	27.2	30.3	27.2	31.5	4.3	3.5

Source: KfW Research, ifo Institute

Explanations and abbreviations:

S(mall and) M(edium-sized) E(nterprises).

L(arge-)Scale E(nterprises).

Change in percentage points q(arter)-o(ver)-q(arter).

Change in percentage points on prior-year quarter.

### Construction and interpretation of the KfW-ifo Credit Constraint Indicator

The Credit Constraint Indicator has been surveyed on a quarterly basis since 2017 as part of the ifo economic surveys following a methodological revision. Credit constraint shows the percentage of enterprises that describe banks' position in loan negotiations as 'restrictive'. In order to ensure that estimates of banks' lending propensity are based on enterprises' original experiences, only those enterprises are surveyed that previously reported having conducted loan negotiations with banks in the preceding three months. The development of this percentage can then be interpreted as an indicator of changes in demand for bank loans.

The evaluation of the survey findings for the KfW-ifo Credit Constraint Indicator is broken down by size classes and sectors. Each month about 9,000 enterprises from trade and industry, construction, wholesale, retail and services (without the banking and insurance sectors or the state) are polled on their business situation, among them some 7,500 SMEs. Enterprises are generally classed as small to medium-sized if they employ a workforce of not more than 500 and record an annual turnover not exceeding EUR 50 million. For a more accurate analysis, however, these quantitative distinctions have to be drawn more narrowly for retail trade (maximum annual turnover of EUR 12.5 million), the building and the construction industry (up to 200 employees) and services (maximum annual turnover of EUR 25 million). All enterprises that exceed at least one of these thresholds are classed as large-scale enterprises.

<sup>1</sup> Schoenwald, S. (2026), 2026 promises more momentum for corporate lending, KfW Credit Market Outlook: December 2025.

<sup>2</sup> Bundesbank (2025) Financial Stability Report 2025, p. 61-62.

<sup>3</sup> Scheuermeyer, Dr P. (2025) Winter blues instead of Christmas cheer, KfW-ifo SME Barometer: December 2025.