



Impact Case Study:

The Gig Economy: Financing Freelancers

December 2024

Impact Case Study: The Gig Economy

About Channel

Channel Capital Advisors LLP is the FCA authorised and regulated unit of Channel Digital Holdings Ltd. a London based firm using technology to fund the specialty finance and innovation sectors.

Founded: 2007

Location: London, UK

Funds: Open pooled funds, SMAs and co-investment mandates

Share class: Traditional and Sharia compliant certificates

Volume: \$25 billion of financing

Website:

www.channelcapital.io

The Gig Economy for Freelancers and the Financing Gap

Freelancers operating in the Gig sector are a growing and important part of the economy. Employment in this sector has grown to 30% of total employment since the pandemic contributing \$1.2 trillion to the economy.¹ Freelancers pursue their own lifestyle, locations and hours on the job and "dial-up" or "dial-down" working hours as their needs change.

Freelancers thus must fund the acquisition of training, new equipment or vehicles. Research has shown that many Freelancers face inadequate access to credit, thus are unable to exploit business opportunities within the Gig economy.² Working women are a growing sector of the Gig economy but also face barriers to entry including poor access to credit.³

The largest growing verticals of employment in this ecosystem comprise the technology (including software, AI and cyber), education, transport, finance, digital marketing, health care/therapy, art and tourism sectors.



1. Forbes (2020)
2. Financing the Gig Economy (2023), The Journal of Finance
3. World Bank Blogs (2023)

1. At a glance (source: Upwork)

64 million Americans have worked within the Gig economy

12% of the global labour market

\$1.2 trillion contribution to the US economy including earnings

59% Gig economy workers have a Bachelors degree, 20% Masters

3. Outcome and Impact

Outcome - In 2024, Channel closed a financing round for a major financial services player in the Gig economy. Our funding supports a \$50mio credit facility that focuses on providing working capital to the Gig economy that in turn supports thousands of Gig economy workers. This liquidity enables individuals to meet their financial demands while allowing them to pursue their goals. Our lending also takes into account the unique needs and data availability of the Gig economy.

Impact - Channel maps ESG data across its portfolio in order to harvest risk-based indicators. We also consider impact as well, that is impact upon stakeholders including our investee firms. Channel focuses on Sustainable Development Goal 8 and 9. **Sustainable Development Goal 8** is to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", according to the UN. **Sustainable Development Goal 9** is to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

Channel has undertaken a journey towards embracing impact informed investing including the related impact frameworks and data requirements. For example, we rely on the IRIS+ data specification to measure progress towards long-term impact. As we continue the journey and make new investments, we expect to begin to incorporate further impact frameworks, including Theory of Change across the relevant investment portfolios in response to investor demands.

2. The Challenge

Low-income households as well as women are often constrained from borrowing in order to enter the fast-growing freelancer/gig economy, making them somewhat "less banked". However, once they enter this ecosystem successfully, Freelancers can generate earnings and contribute to the broader economy while balancing their lifestyle choices. Key challenges Freelancers face include incumbent's lack of appetite for lending due to inconsistent earnings, high-risk label of employment, inability to capture so-called alternative data linked to Gig employment activities, payments, and related earnings streams. The Challenge is therefore how to prudently fund the Gig economy.

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



This report has been prepared by Channel Capital Advisors LLP in its capacity as Investment Manager. Channel Capital Advisors LLP is authorised and regulated by the Financial Conduct Authority in the UK. The information contained herein is for information purposes only and is provided without any representations or warranties as to its accuracy or completeness, or the achievement or reasonableness of future projections, management targets, estimates, prospects or returns contained in this document. Without prejudice to liability for fraud, no member of Channel Capital Advisors LLP accepts or will accept any liability, responsibility or obligation (whether in contract, tort or otherwise) in relation to this report. The information contained herein is strictly confidential and may not be disclosed, in whole or in part, in any manner, reproduced, distributed or released without the express written permission of Channel Capital Advisors LLP. The recipients undertake not to use any confidential information for any unlawful purpose. This information contained therein is intended solely for use of the intended recipients and the sharing of this information to non-authorised persons is prohibited. If you are not the intended recipient, any disclosure, copying, distribution or any action taken in reliance on it, is prohibited and may be unlawful. If you are not the intended recipient, please return the email to the sender and delete it from your records. Channel Capital Advisors LLP is registered in England (No. OC322712), with its registered address and its principal place of business at 44 Whitfield Street, London, W1T 2RH. Past performance is not a guide to the future. The value of investments can go down as well as up. None of the information shared in this email should be construed as an inducement to purchase or sell certificates in the fund or as investment advice. More information about the fund is available in the Terms and Conditions and the Information Memorandum and should both be read carefully before investing in conjunction with the other transaction documents (together the "Documents"). You can obtain a copy of the Documents on request.