

BUSINESS NEEDS BOOSTING, NOT JUST BAILOUTS

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Ever since Britain went into lockdown, Government support for business has been a sharp debating point. The pages of this newspaper have been filled with stories of businesses facing an immediate need for government-banked loans and grant support.

But what about those businesses that didn't take on debt during the pandemic? How widespread has the take up of government-backed loans been? And what kind of support are businesses now looking for as we begin to emerge from the storm?

Together, the British Chambers of Commerce and TSB joined forces to understand the full picture. At the start of August, we carried out research with businesses across the country – the vast majority of them small or medium sized enterprises.

Many told us unequivocally that without loans they would not survive. 42% said they had accessed finance through government lending schemes, such as the Coronavirus Business Interruption Loan Scheme or Bounce Back Loan Scheme. Those businesses have been using the cash to do everything from paying staff through to managing overheads. And for some, difficulties continue, with one in ten of the firms surveyed saying that paying back Covid loans could cause them to go bust.

For some businesses, the outlook remains cloudy despite the lifeline provided by Government in the early days of the crisis.

And yet, alongside this feedback, another picture emerged. Our research also found that many businesses shunned loans during the pandemic, with around 44% saying that they not taken on further debt since March.

Some will rightly say that this gives no grounds for rejoicing. Many of those businesses have been reluctant to take on more debt not because trade is thriving, but simply because they're averse to taking on more financial risk.

But there are tentative signs of growth in the economy, with many small businesses reporting that they are servicing pent-up demand as restrictions ease. The picture is mixed, with 38% of firms saying that their UK revenues had increased since a month ago – and the exact same percentage, 38%, reporting a decrease.

It's important to put any growth into context. Growing sales have often been offset by rising costs, as businesses invest in new ways of working. Considerable risks remain, and

challenges lie ahead. Even though some businesses have seen revenues grow, around half had to dip into cash reserves – a proportion that hasn't improved even as lockdown eases.

So our findings raise an important challenge. Just as important as helping to keep businesses afloat is the need to drive growth and unleash the wealth creators in the new, post-pandemic economy. And to do that, it's vital we understand fully the support these – and all – businesses need.

We've identified three key types of support.

First, flexibility. In this changing economy, one size really does not fit all. The BCC Tracker tells us that firms overwhelmingly want flexible services from banks and understanding that working capital is crucial to navigating their recovery. Whether that's converting loans into a contingent tax liability and repaid on a means-tested basis, or simply extending the time to repay, imaginative and flexible repayment solutions will be key to avoiding a crisis of unsustainable debt.

Second, it's no surprise that more businesses want digital services – but importantly, they want personal interaction too. 44% of firms we heard from said the most important services they need from banks are digital ones, like apps and websites. But at the same time, almost half said that personal contact was still key. Providing both forms of support in a way that is simple and effective will prove critical to business confidence and to future growth.

And third, we need a national response, not a London and South-East England bias. We need a genuinely UK-wide strategy that can help to level up our economy as we chart our recovery. It is significant for example that TSB has had more businesses apply for Bounce Back Loans in Birmingham and Manchester than London – demonstrating how vital it is that financial support helps businesses recover and grow in all regions of the UK..

Whatever happens during the rest of 2020, the message for Britain's recovery is clear. Helping Britain's growth businesses to get back on their feet will require imagination and flexibility. And that starts by listening to what businesses actually need.