British Business Bank

Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme

Process evaluation and early impact assessment
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Contents

List of terms

API – Application Programming Interface

BAU – Business-As-Usual

BBB – British Business Bank

BBLS – Bounce Back Loan Scheme

BICS – Business Insights and Conditions Survey

BEIS – Department for Business, Energy & Industrial Strategy

BIP – Business Interruption Payment

CBILS – Coronavirus Business Interruption Loan Scheme

CCFF – Corporate Credit Financing Facility

CIGA – Corporate Insolvency Governance Act

CJRS – Coronavirus Job Retention Scheme

CLBILS – Coronavirus Large Business Interruption Loan Scheme

Covid-19 Loan Guarantee Schemes – Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and Coronavirus Large Business Interruption Loan Scheme

DiD – Difference-in-Differences

EFG – Enterprise Finance Guarantee

EOI – Expression of Interest

HMT – Her Majesty's Treasury

IDBR – Inter-Departmental Business Register

NAO – National Audit Office

NATIS – National Investigation Service

OECD – Organisation for Economic Co-operation and Development

ONS – Office for National Statistics

PAYE – Pay As You Earn

PAYG – Pay As You Grow

PSM – Propensity Score Matching

R&D – Research and Development

Schemes – Unless otherwise stated, refers to the Covid-19 Loan Guarantee Schemes

SME – Small and Medium-Sized Enterprises

UK – United Kingdom

VAT – Value-Added Tax

Executive summary

Context

In mid-March 2020, the potential scale of the Covid-19 pandemic became clearer as public health measures designed to combat the pandemic and behaviour change among the UK population were having a noticeable impact on businesses.

Given the wide-ranging business impacts already felt and the considerable uncertainty over the financial challenges ahead, the UK government moved quickly to design and launch a series of three loan guarantee schemes (hereafter referred to as the Covid-19 Loan Guarantee Schemes or the schemes (unless stated otherwise)) targeted at businesses of different sizes, namely, the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS).[1]

In March 2021, the British Business Bank (BBB) commissioned London Economics and Ipsos to undertake a multi-year evaluation of the three Covid-19 Loan Guarantee Schemes. This evaluation aims to assess whether the objectives of the Covid-19 Loan Guarantee Schemes were satisfied. Key research questions are divided into process, impact, and economic questions (see Figure 1).

- The process evaluation focuses on scheme design, scheme delivery, debt recovery processes, and variations in processes.
- The impact evaluation focuses on the extent to which the Covid-19 Loan Guarantee Schemes affected business outcomes – for instance, whether having received funds under the Covid-19 Loan Guarantee Schemes was associated with a higher likelihood of business survival, or greater turnover or employment.
- The economic evaluation focuses on the value for money of the Covid-19 Loan Guarantee Schemes, taking into account both its costs and benefits.

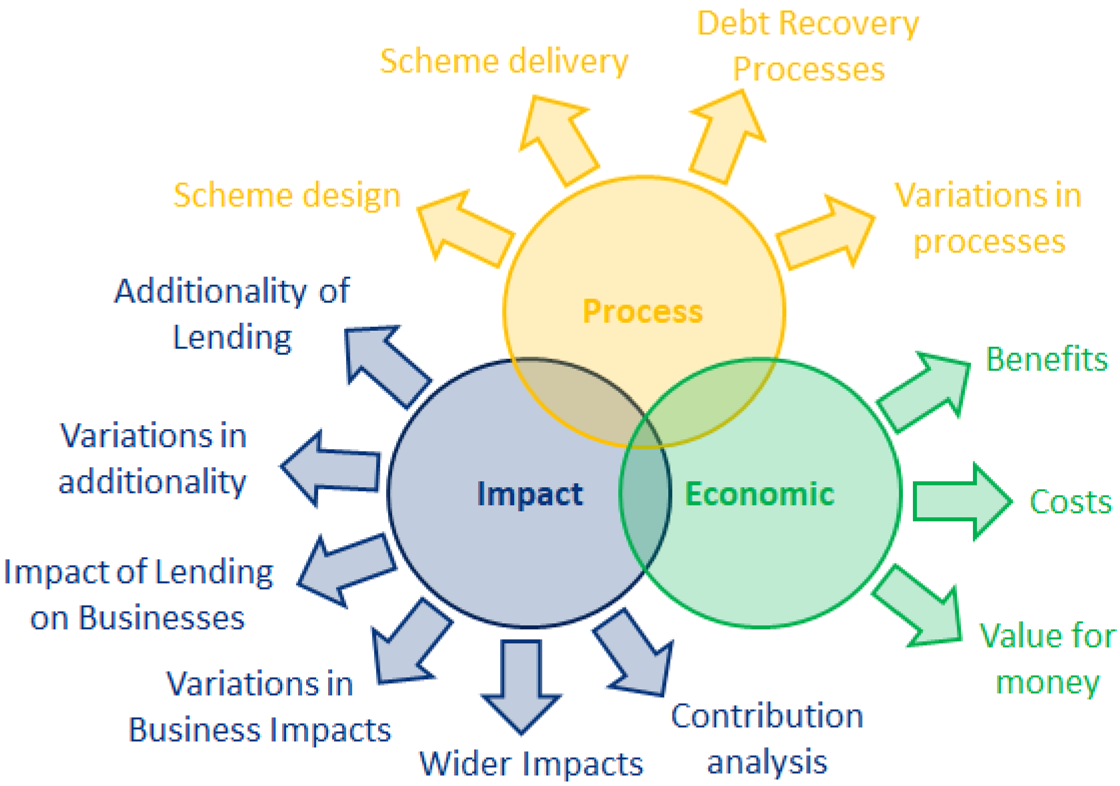
[1] Table 10 in Annex 1 provides a description of the final design features for the three schemes.

This report presents findings from the process evaluation and early impact assessment of the Covid-19 Loan Guarantee Schemes.

In the second and third phase, the impact evaluation will focus on using survey data (collected in 2022 and 2023 respectively) to assess the impact of the Covid-19 Loan Guarantee Schemes on business outcomes in 2021/2022 and in 2022/23, respectively. The first- and second-year results will be validated using secondary data sources. Additionally, the wider impacts of the Covid-19 Loan Guarantee Schemes on the general population of businesses (borrowers and non-borrowers) will be explored. The process evaluation component will provide an assessment of the fraud risk and detection and debt recovery processes.

In the third year, the economic evaluation component will assess the value for money of the Covid-19 Loan Guarantee Schemes.

Figure 1: Objectives of the evaluation



Approach

The evaluation uses a mixed methods approach combining both qualitative and quantitative, and primary and secondary evidence.

The early impact assessment relies on a primary data collection exercise, as well as a number of secondary datasets including BBB management information. Survey fieldwork undertaken by Ipsos resulted in 2,143 interviews. These include 588 BBLS borrowers, 358 CBILS borrowers, 32 CLBILS borrowers, and 1,171 non-borrowers – the latter set of businesses are referred to as the ‘control’ group. Non-borrowers have been selected to be similar to borrowing businesses in the key respect that they have all faced challenges or opportunities[2] because of the Covid-19 pandemic, thereby increasing the likelihood that both groups of businesses have faced similar financial and operational issues during the reference period of the evaluation.[3]

The process evaluation drew on a combination of primary and secondary evidence including monitoring information and scheme documentation provided by the British Business Bank and BEIS, depth interviews with key stakeholders, and the quantitative survey of borrowers.

Key findings

The eight key findings from the process evaluation and ten key findings from the early impact assessment of the Covid-19 Loan Guarantee Schemes are presented below.

Process evaluation

1. The Covid-19 pandemic created unprecedented levels of economic uncertainty and risks of widespread business failures. The British Business Bank, Department for Business, Energy and Industrial Strategy (BEIS), and HM Treasury were able to establish CBILS within twelve days of its announcement, facilitated by the existence of

[2] More than half of non-borrowers faced major challenges (more than 40% faced minor challenges), whereas less than one fifth faced major or minor opportunities (Figure 15).
[3] Still, borrowers and non-borrowers may differ even after this screening process, as the latter group of businesses did not seek external finance under the Covid-19 Loan Guarantee Schemes. Therefore, the econometric analysis aims to minimise the risk that any differences in outcomes between both groups are due to factors other than participation in the Covid-19 Loan Guarantee Schemes. The approach is described in more detail in Annex 5.

an existing delivery template and infrastructure (the Enterprise Finance Guarantee (EFG) programme) and effective engagement with the lending community.

2. The design of the Covid-19 Loan Guarantee Schemes was adapted several times – including the introduction of CLBILS to better serve the needs of large businesses and the introduction of BBLS to provide cashflow support more rapidly to smaller businesses. Adjustments generally prioritised the aim of increasing the speed of lending decisions and widening access in response to concerns that funding was taking too long to reach businesses.

3. This was achieved by removing requirements for businesses to demonstrate that they could not obtain funding on normal commercial terms and, in the case of BBLS, allowing businesses to self-certify their eligibility, viability and creditworthiness (aspects that would have otherwise been assessed by the lender). This increased the potential scale of the government's contingent liability and required acceptance of greater levels of deadweight (outcomes which would have occurred in the absence of the intervention) and, in relation to BBLS, fraud risk. Given the risks, the Permanent Secretary of BEIS sought Ministerial Directions for all three Covid-19 Loan Guarantee Schemes and the CEO of the British Business Bank issued a Reservation Notice in respect of BBLS. Ministers acknowledged the issues raised and confirmed their intent to proceed. Other advanced economies adopted approaches comparable to the Covid-19 Loan Guarantee Schemes.

4. The process adopted by the British Business Bank to accredit lenders to the Covid-19 Loan Guarantee Schemes was a streamlined version of the process to accredit lenders for the EFG programme. It was possible to rapidly put in place significant lending capacity by transferring existing lenders from the EFG programme. However, the time taken to accredit new lenders varied due to the large volumes of applications received from lenders and the use of the EFG infrastructure which needed bespoke adaptations to make it suitable for lenders with alternative business models. Whilst these could take some time to agree with lenders, and some lenders were only able to enter the market at a late stage, the alternative would have involved delaying accreditations or accelerating the process with elevated risks to value for money.

5. The Covid-19 Loan Guarantee Schemes met their primary objectives of unlocking credit for businesses at scale and speed and resulted in £78bn in guaranteed loan facilities, reaching just over a quarter of SMEs in the UK. There was a reasonable correlation between volumes of guaranteed lending and the size of the pandemic induced shock on individual sectors and many businesses receiving guaranteed loans had experienced significant impacts on turnover. Loans were generally either used to fund operational expenses or to boost reserves and resilience to unexpected shocks, and guaranteed lending may have had a significant protective effect.

6. High levels of demand for lending via CBILS placed considerable pressure on lenders and the introduction of BBLS helped ease pressure on lenders and accelerated timescales for loan approvals. While some lenders also closed to new customers to cope with large volumes of demand, there was little evidence that this produced any significant issues in relation to differential levels of access across businesses.

7. Funding may have been critical in directly securing the survival of up to a third of the businesses receiving loan guarantees (around 500,000 businesses). Evidence was mixed on whether the survival of some borrowers was contingent on the level of acceleration achieved with BBLS. Policy makers received information when designing BBLS suggesting many businesses faced significant financial distress, having been closed or facing severely reduced demand for around six weeks since the introduction of the first lockdown (for example, around half of SMEs had less than one months' worth of sales as cash in the bank). While a reduction from the five weeks typically required to approve CBILS would have produced meaningful benefits for these borrowers, businesses did not indicate in interviews that their subsequent survival was contingent on receiving the loan proceeds within 24 to 48 hours.

It is also unclear how lenders could have realistically handled the volumes of loan applications in a timely fashion without removing many BAU checks. BBLS issued 270,000 loans in the first week, and close to 800,000 in the first month. Lenders conducting BAU checks on such a volume of applications would have created an extensive backlog with businesses waiting significantly longer for a loan during which period the survival of the business may have been at risk.

In conclusion, the strength of the economic need to achieve the extent of acceleration under BBLS, which led to the decision to drop many BAU checks on lending decisions, is uncertain, though an acceleration from approval times under CBILS was necessary to prevent business failures. The overall reduction in approval times achieved also needs to be considered in the context of avoiding an extensive backlog of applications at a time where business survival was at risk.

8. The National Audit Office's investigation into BBLS in their update report dated 3 December 2021 highlighted that a British Business Bank commissioned review produced a central estimate that around 11 percent or £4.9bn of loans approved were potentially fraudulent. This estimate is highly uncertain, and a subsequent assessment revised this estimate to 7.5 percent of approved facilities, although this estimate assumes that any fraud leads to a total loss of the loan which is likely to overestimate losses as some funds may be recoverable. In any event, it is still too early to fully assess the level of defaults and fraudulent claims. The National Audit Office noted that BBLS was launched with limited counter fraud measures compared to BAU lending as a result of the objective to provide funding rapidly to businesses (although core counter fraud checks consistent with the self-certification design of the scheme, and 'know-your-customer' checks were required from lenders). Lenders reported prevention of £2.2 billion in fraudulent applications using these measures. Given the speed at which BBLS was launched, the NAO report found that the approach to fraud prevention evolved with time with certain measures added after the scheme launched. As such, the focus of government's counter-fraud response has largely been on fraud detection, investigation and recovery.

Early impact evaluation

1. The present impact evaluation is an early assessment of the Covid-19 Loan Guarantee Schemes' impacts, which will be refined as more data becomes available and the medium- to long-term impacts of the Covid-19 Loan Guarantee Schemes become clearer. To provide a sufficient sample size for analysis, the sample of CBILS and CLBILS borrowers were grouped – the combined sample is referred to as "CBILS/CLBILS borrowers''.

2. It is estimated that in the absence of the Covid-19 Loan Guarantee Schemes, an additional 10%-34% of BBLS borrowers (i.e., 146,000 to 505,000 businesses) and an additional 7%-28% of CBILS/CLBILS borrowers (i.e., 5,000 to 21,000 businesses) could have permanently ceased trading in 2020. It is also estimated that 0.5 million to 2.9 million jobs could have been lost in the absence of the Covid-19 Loan Guarantee Schemes.

3. It is estimated that respectively 81% and 77% of BBLS and CBILS/CLBILS loans were additional.

4. Econometric analysis did not find evidence that the turnover or employment of borrowing businesses was higher or lower than it would have been in the absence of the Covid-19 Loan Guarantee schemes. As this analysis was based on a sample of businesses that survived the pandemic, it measures impacts on turnover and employment net of business survival.

5. The Covid-19 Loan Guarantee Schemes may also have affected other businesses indirectly (e.g., through avoided supply chain disruptions). These spillover effects are unquantified at this stage but will be explored in subsequent phases of the evaluation.

6. The most common uses of the funds from the Covid-19 Loan Guarantee Schemes were working capital, and to provide financial security

7. Borrowers were more likely to have faced major business obstacles as a result of the pandemic than non-borrowers.

8. Common actions undertaken by borrowers since raising external finance from one of the Covid-19 Loan Guarantee Schemes included the adoption or expansion of digital technologies, innovation activities or building business resilience. In general, more than half of borrowers estimated that they would either have been able to undertake them but to a lesser extent, or not been able to undertake them at all in the absence of the Covid-19 Loan Guarantee Schemes.

9. Borrowers were more likely to report that the funds obtained through the Covid-19 Loan Guarantee Schemes lowered their likelihood of seeking external finance in the next three years than they were to report an increase in that likelihood. This could be explained by the fact that, for most borrowers, their participation in the Covid-19 Loan Guarantee Schemes was the largest use of external finance in the last three years and hence, they may have been reluctant to add debt to their balance sheets.

10. Average product market displacement from the BBLS and CBILS/CLBILS schemes is estimated to be 43% and 46% respectively. However, any product market displacement is unlikely to have occurred immediately; but it may become more noticeable as the economy approaches full capacity.

Process evaluation

Overview

This evaluation involved an assessment of the effectiveness of the processes adopted in the design and the delivery of BBLS, CBILS, and CLBILS. This assessment is based on the process evaluation framework agreed with the British Business Bank in May 2020 (provided in Annex 1). This report does not provide an assessment of debt recovery processes adopted in BBLS, CBILS, and CLBILS, which will be covered at a subsequent stage of the evaluation. Additionally, this stage of the evaluation did not collect evidence on the effectiveness of fraud prevention and detection processes owing to the nascency of data and parallel National Audit Office investigation into BBLS. These issues will be revisited in later stages of the evaluation (in line with the Process Evaluation Framework set out in Annex 1)[4]. The results of an on-going programme of external audits assessing the compliance of lenders with certain terms of the Covid-19 Loan Guarantee Schemes, which is based on the selection of a sample of scheme-supported facilities, commissioned by the British Business Bank will also be reported in later phases of the evaluation.

Scheme design

The Covid-19 pandemic created unprecedented levels of economic uncertainty, introducing major difficulties for lenders in assessing the risks involved with lending decisions (constraining

[4] As the two research exercises were taking place at the same time, it was decided to avoid overburdening stakeholders by interviewing them twice on the same topic. The evaluation will consider fraud in the context of debt recovery in subsequent reporting.

the supply of credit). Loan guarantee programmes have been considered the most appropriate approach to addressing this issue in reviews of international evidence, and loan guarantee schemes were and continue to be adopted by most advanced economies.

The British Business Bank, BEIS, and HM Treasury were able to establish CBILS within twelve days of its announcement. Despite limited emergency planning for the scale and nature of the macroeconomic shock caused by Covid-19 (as opposed to more typical shocks caused by recessions), the establishment of CBILS was facilitated by the existence of an existing delivery template and infrastructure (the Enterprise Finance Guarantee (EFG)), effective engagement with the lending community, and acceptance of significant risks to value for money at a political level.

The British Business Bank, BEIS, and HM Treasury sought continuous feedback from the business and lending community and several adjustments were made to the design of the Covid-19 Loan Guarantee Schemes during the course of the pandemic – including the introduction of CLBILS to better serve the needs of large businesses that were unable to access the Bank of England's Coronavirus Corporate Financing Facility and the introduction of BBLS to more rapidly provide cashflow support to businesses with smaller credit requirements (both of which also adapted the EFG delivery template). Adjustments generally prioritised the aim of increasing the speed of lending decisions and widening access in response to emerging concerns that funding was taking too long to reach businesses. This was achieved by removing the requirement for businesses to demonstrate that they could not obtain funding on normal commercial terms and, in the case of BBLS, allowing businesses to self-certify their eligibility, viability and credit-worthiness (aspects that would otherwise have been assessed by the lender).

This increased the potential scale of the government's contingent liability arising from the interventions and required accepting greater levels of deadweight and, specifically in relation to BBLS, increased scope for fraud risk. Given the risks, the Permanent Secretary of BEIS sought a Ministerial Direction (for all three schemes), and CEO of the British Business Bank issued a Reservation Notice (for BBLS) respectively in advance of the schemes coming into effect. Ministers acknowledged the issues raised and confirmed their intent to proceed.

The broader package of business support interventions introduced by the government contributed to a fall in insolvency rates from April 2020 onwards (although there are indications that unregistered businesses have been more adversely affected). There may therefore be questions regarding how far it was necessary to fully accept these risks to value for money to prevent a wave of business failures. However, these questions need to be set in the context of unprecedented levels of uncertainty regarding the likely future course of the pandemic, the adaptability of the economy to social distancing restrictions, and the broader need to raise consumer and business confidence. Other advanced economies also adopted comparable approaches by introducing loan guarantee schemes.

Lender accreditation, contracting, and scheme establishment

The process adopted by the British Business Bank to accredit lenders to the Covid-19 Loan Guarantee Schemes was a streamlined version of the process to accredit lenders for the EFG programme (which in turn was originally tailored to the business models of traditional banks). It was possible to put in place lending capacity rapidly by transferring existing lenders from the EFG programme. However, the time taken to accredit new lenders varied substantially partly due to the large volumes of applications received from lenders by the British Business Bank and the use of EFG infrastructure which needed bespoke adaptations to make it suitable for lenders with alternative business models. While lenders that accounted for the largest share of bank lending were accredited rapidly, some lenders only received accreditation after the schemes were extended in September 2020.

The accreditation and contracting process was, due to legacy reasons noted above, originally tailored to the business model of traditional bank lenders. This was considered acceptable as the anticipated scale of demand for guaranteed lending created an imperative to have high-capacity lenders in place at an early stage. However, lenders with more complex funding arrangements often required additional arrangements to ensure that the terms on which the guarantee was provided were not eroded and that lenders would share some risk in the lending of scheme facilities. This could take some time to agree, and some consultees noted examples where this led to lenders only being able to enter the market at a later stage, who felt this put them at a competitive disadvantage. The alternatives to this would have involved delaying accreditations of all lenders thus constraining supply of cashflow support during the period of the greatest economic uncertainty, or accelerating the accreditation process with elevated risks to value for money.

Accredited lenders were largely able to adapt business as usual processes to implement CBILS and CLBILS and no significant procedural issues were highlighted by lenders in establishing these schemes. Training for staff was aided by the preparation of documents and training materials provided by the British Business Bank which were well received.

BBLS required the implementation of automated online processes to handle the volumes anticipated. This delayed the availability of the product for some lenders that did not already maintain an automated customer journey for lending.

Stakeholders consulted did not highlight any areas where steps to accelerate the accreditation and contracting process led to significant risks to value for money, although this was not the principle focus of this study. While irregularities were noted in the lending decisions made by one lender (as covered by the relevant National Audit Office inquiry), the British Business Bank had only reduced the allocation of one lender to zero at the time of writing. Evidence from the ongoing external audit of lender practices was not available for this report, and will be considered in later stages of the evaluation.

Lending to businesses

The Covid-19 Loan Guarantee Schemes met their primary objectives of unlocking credit for businesses at scale and speed. The Covid-19 Loan Guarantee Schemes ultimately resulted in £78bn in guaranteed loan facilities being approved, reaching a quarter of SMEs in the UK[5]. This was both a substantial share of overall lending to SMEs over the period and the £72bn of guaranteed loan facilities extended specifically to SMEs exceeded total lending to SMEs in 2019 (around £58bn). It was also an order of magnitude larger than the stock of finance supported by the British Business Bank's pre-pandemic programmes, which stood at £8bn in March 2020, and much larger than the lending provided through the Enterprise Finance Guarantee - £230 million in 2019, on which the Covid-19 Loan Guarantee Schemes were based. Demand for the schemes was stimulated by widespread awareness generated by public announcements.

[5] This is based upon the 1.5 million applications approved for the Covid-19 Loan Guarantee Schemes, and the 5.6 million active businesses in the UK (https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html)

The high levels of demand for the schemes placed considerable pressure on lenders, some of whom had to adjust systems to cope with application volumes. This contributed to slower than anticipated initial loan approval volumes under CBILS. However, lenders also highlighted that in many cases volumes were constrained by the eligibility of applicants (many of whom would have been offered credit on normal commercial terms) and their requirements for personal guarantees (reducing the attractiveness of the loan product). These factors were addressed on 3rd April 2020 with changes to the rules of the scheme. The introduction of BBLS also helped ease pressure on the system and accelerated timescales for loan approvals.

Although some lenders also closed to new customers to cope with large volumes of demand, there was little evidence from the survey nor the depth interviews that this produced any significant issues in relation to differential levels of access across businesses. The main reason offered for not applying for one of the Covid-19 loan guarantee schemes was that businesses did not require credit or that they did not want to take on more debt.

While the schemes were not directly targeted at specific sectors, there was a moderate correlation between volumes of guaranteed lending and the size of pandemic induced economic shock on individual sectors. Many businesses receiving guaranteed loans were in sectors that experienced significant impacts on turnover as a result of the pandemic, particularly those active in industries that were forced to close (or those who were suppliers to closed industries). Around half of those participating in depth interviews reported less significant impacts resulting from increased costs and inefficiencies.

Loans were generally either used to fund operational expenses or to boost reserves and resilience to unexpected shocks. The findings of the evaluation suggest that guaranteed lending may have had a significant protective effect for many businesses and may have helped in restoring business confidence (with the potential for spill-over benefits in securing the survival of businesses that were not directly supported by the Covid-19 Loan Guarantee Schemes).

The funds may have been critical in directly securing the survival of up to a third of the businesses receiving loans through the Covid-19 Loan Guarantee Schemes (around 500,000 businesses). Between 38 to 45 percent of businesses reported that they would not have sought credit in the absence of the Covid-19 Loan Guarantee Schemes, with evidence from interviews with businesses suggesting many obtained funding to become more resilient against future risk rather than to address immediate cashflow issues[6]. This suggests that the removal of targeting measures has led to the public sector assuming the default risk of lending to a large number of businesses that may not have needed support to survive the pandemic – as predicted in Requests for Ministerial Direction. The removal of targeting measures is likely to have a positive influence on default rates across the portfolio, and 4, 11, and 14 percent of BBLS, CBILS and CLBILS loans had been repaid in full respectively by the end of September 2021[7] (though there may have been a contingent of borrowers that may not have sought credit as they did not think they could have received it).

There was also mixed evidence that the survival of many borrowers was contingent on the level of acceleration of lending decisions achieved with BBLS. While many borrowers were facing significant financial distress (as illustrated by market intelligence gathered at the time, such as that around half of SMEs had less than one month’s worth of sales as cash in the bank), and a reduction from the five weeks typically required to approve CBILS would have produced meaningful benefits for these borrowers, many businesses that were interviewed reported that in retrospect their survival was not necessarily contingent on receiving the loan proceeds within 24 to 48 hours.

However, it is also unclear how lenders could have realistically handled the volumes of loan applications in a timely fashion without removing many BAU checks. BBLS issued 270,000 loans in the first week, and close to 800,000 in the first month. Lenders conducting BAU checks on such a volume of applications would have created an extensive backlog with businesses waiting significantly longer for a loan during which period the survival of the business may have been at risk.

In conclusion, the strength of the economic need to achieve the extent of acceleration under BBLS, which led to the decision to drop many BAU checks on lending decisions, is uncertain, though an acceleration from approval times under CBILS was necessary to prevent business failures. The overall reduction in approval times achieved also needs to be considered in the context of avoiding an extensive backlog of applications at a time where business survival was at risk.

[6] A percentage of these borrowers may be discouraged borrowers – good borrowers who may not apply for a loan to a bank because they feel they will be rejected; therefore, the true additionality figure may be lower. See Brown et al. (2022) Innovation and borrower discouragement in SMEs

[7] British Business Bank (2021) Covid-19 emergency loan schemes repayment data.

Monitoring and fraud detection

Development of mechanisms to share data between lenders, the British Business Bank, BEIS, and HM Treasury involved some initial challenges as there was a reliance on systems developed for the smaller EFG programme (which involved manual uploading of data by lenders into forms, which introduced data entry issues). The British Business Bank addressed this issue by developing an API system to support bulk uploads. By Autumn 2021, only 14 of the 126 lenders have moved from manual uploading of data to the new system, due to technical difficulties at the lender side, the costs involved in transitioning to the new approach, and that moving to the system is only likely to be worthwhile for high volume lenders. Lenders also provided similar data in parallel to HM Treasury, while scheme monitoring systems were being established in the initial periods of the Covid-19 Loan Guarantee Schemes.

Data captured through the British Business Bank's data portal has enabled it to monitor the activity of lenders. The data was reportedly effective in helping the British Business Bank identify whether lenders were exceeding their individual lending allocation limit, whether loans were being offered in line with each lender's pricing matrix, and that data was entered accurately (as well as providing broader information on the delivery of the Covid-19 Loan Guarantee Schemes to support policy development).

While lenders typically considered that the audit process was significant and larger than they experienced for internal audits, they generally suggested that this was proportionate given the public nature and size of the scheme. Some lenders felt that some of the information being collected was not needed, but generally lenders felt the scope was appropriate and recognised that enhanced levels of assurance were needed given the scale of the Covid-19 Loan Guarantee Schemes and the speed with which they were developed.

With respect to BBLS, the National Audit Office noted that the scheme was launched with reduced counter fraud measures compared to BAU commercial lending as a result of the objective to provide funding rapidly to businesses (although minimum anti-money laundering, 'know-your-customer' and core counter fraud checks consistent with the self-certification design of the scheme were in place at launch and undertaken by lenders). It was acknowledged prior to launch that, even with these measures, there was a high level of residual fraud risk within BBLS but, as mentioned previously, a Ministerial Direction was sought, and this noted the need to nevertheless proceed with the scheme due to the unprecedented situation and the need to achieve the objective of rapidly providing funding to businesses. The NAO report further noted that the approach to fraud prevention evolved with time, with five additional counter-fraud preventions measures introduced. Some lenders have introduced their own anti-fraud measures above those required by the BBLS, which was encouraged by BBB.

Given the high level of residual fraud risk, the focus of counter-fraud activity has largely been on fraud detection, investigation, and recovery. Lenders are responsible (and have a legal and regulatory obligation) for the detection of fraud and the recovery of loans, though BEIS and law enforcement agencies have focused most effort on the highest risk loans (e.g., those associated with organised crime).

The National Audit Office's investigation into BBLS highlighted that a British Business Bank commissioned review had a central estimate that around 11 percent or £4.9bn of loans approved were potentially fraudulent, with a subsequent assessment revising this estimate to 7.5 percent of approved facilities, although this estimate assumes that any fraud leads to a total loss of the loan which is likely to overestimate losses as some funds may be recoverable. In any event, it is still too early to fully assess the level of defaults and fraudulent claims.

Early impact evaluation

The present impact evaluation is an early assessment of the Covid-19 Loan Guarantee Schemes' impacts. To provide a sufficient sample size for analysis, the sample of CBILS and CLBILS borrowers were grouped – the combined sample is referred to as "CBILS/CLBILS borrowers''. In subsequent years of the evaluation, the impact analysis will be refined as more data becomes available and the medium- to long-term impacts of the Covid-19 Loan Guarantee Schemes become clearer.

Impact of the Covid-19 pandemic on businesses

To provide some context to the Covid-19 Loan Guarantee Schemes' impact assessment, this report investigates the impact of the pandemic on both borrowers and non-borrowers.

This analysis suggests that the proportion of businesses that faced major obstacles caused by the pandemic (such as changes in market demand or supply chain disruptions) was higher among borrowers than non-borrowers. Respectively 75% and 76% of BBLS and CBILS/CLBILS borrowers reported having faced major challenges, compared to 53% and 56% of comparable non-borrowers. These obstacles may have contributed to borrowers' decision to seek funding from the Covid-19 Loan Guarantee Schemes. Moreover, the higher prevalence of obstacles among borrowers may also explain the more extensive use of other government support (compared to non-borrowers) – in particular, the Coronavirus Job Retention Scheme (CJRS) was respectively used by 51% and 85% of BBLS and CBILS/CLBILS borrowers,[8] compared to 37% and 68% of comparable non-borrowers.

Impact of lending on businesses

Speed of access

Findings from the quantitative survey indicate that finance from BBLS was faster to obtain than finance from CBILS/CLBILS, with 45% of BBLS borrowers having obtained their loan in under one week and 26% in one to less than two weeks. In comparison, approximately one quarter of CBILS/CLBILS borrowers obtained their loan in under two weeks. The average time taken to obtain the finance was around two weeks for BBLS and five weeks for CBILS/CLBILS borrowers[9].

Borrowers' use of the funds

The most common uses of the funds were working capital (reported by 60% of BBLS borrowers, and 68% of CBILS/CLBILS borrowers) and to provide financial security (34% of BBLS borrowers and 32% of CBILS/CLBILS borrowers). This suggests that the Covid-19 Loan Guarantee Schemes may, in some cases, have been instrumental in enabling businesses to remain operational in the midst of pandemic-induced disruption, and consistent with the Covid-19 Loan Guarantee Schemes estimated impact on business survival.

[8] The larger incidence of CJRS use among CBILS/CLBILS than BBLS borrowers may be due the fact that businesses borrowing under BBLS were smaller on average and more likely to not have employees and therefore not be eligible for the CJRS.
[9] It should be noted that this data is self-reported and could be subject to imperfect recall.

Impacts on business survival

It is estimated that in the absence of the Covid-19 Loan Guarantee Schemes, an additional 10%-34% of BBLS borrowers (i.e., 146,000 to 505,000 businesses) and an additional 7%-28% of CBILS/CLBILS (i.e., 5,000 to 21,000 businesses) borrowers could have permanently ceased trading in 2020. It is also estimated that 0.5 million to 2.9 million jobs could have been lost in the absence of the Covid-19 Loan Guarantee Schemes.[10]

It should be noted that impacts of the Covid-19 Loan Guarantee Schemes on survival are based on businesses' own self-assessment of their survival prospects using survey data that asked businesses how likely they would have been to permanently close had they not accessed funds from one of the Covid-19 Loan Guarantee Schemes. Given the uncertainty around businesses' self-assessment of their survival prospects, subsequent phases of the evaluation will validate these impacts and assess the impact of the schemes on longer-term survival.

Impacts on turnover and employment

Econometric analysis did not find statistically significant impacts of the Covid-19 Loan Guarantee Schemes on turnover or employment, when focussing on businesses which survived the pandemic. This is consistent with the finding that many businesses used funds in ways that are unlikely to expand economic activity (e.g., working capital, financial security). It is possible that such impacts may materialise in the subsequent phases of the evaluation. It should also be noted that as this analysis was largely based on a sample of businesses that survived the pandemic, it measures impacts on turnover and employment net of business survival.

[10] These estimates draw on survey respondents' expectations of whether they would have survived in the absence of the Covid-19 Loan Guarantee Schemes. The use of self-reported data carries limitations – for instance, businesses may not recall precisely how their financial situation was during the reference period and may remember it as having been worse or better than it was in reality. In order to reflect uncertainty around these expectations, estimates are presented as a range. The lower bound estimate is based on a death rate that only includes businesses that answered that they "definitely would have closed" if they had not been able to access funding from the Covid-19 Loan Guarantee Schemes, whereas the upper bound estimate also includes respondents that answered that they would have been very likely or fairly likely to close. It should also be noted that these estimates refer to short-term impacts. The subsequent phases of the evaluation will investigate possible impacts of the Covid-19 Loan Guarantee Schemes on business survival in the longer term.

The analysis generally did not find evidence of an impact on turnover or employment when considering impacts at a sector- and region-level, and for ethnic minority- or female-led businesses.

The early impacts of the Covid-19 Loan Guarantee Schemes on turnover and employment were estimated based on a comparison of these business outcomes between borrowers and non-borrowers. This exercise is based on two steps, both aimed at minimising the risk that any observed differences in outcomes between both groups are attributable to factors other than the Covid-19 Loan Guarantee Schemes. First, a subsample of non-borrowers was selected based on their similarity with borrowers in terms of pre-pandemic observable characteristics (e.g., turnover, sector) and the kinds of business obstacles encountered during the pandemic.[11] The second step is a comparison of both groups' turnover and employment before and after the introduction of the Covid-19 Loan Guarantee Schemes.[12]

Other impacts

Borrowers also reported whether they had undertaken other activities such as the adoption or expansion of digital technologies, innovation activities or building business resilience. For each of these activities, more than half of borrowers estimated that they would either have been able to undertake them but to a lesser extent, or not been able to undertake them at all in the absence of the Covid-19 Loan Guarantee Schemes.[13]

The impacts of the Covid-19 Loan Guarantee Schemes on attitudes towards external finance were explored through a descriptive analysis of the survey data. Overall, borrowers perceived that they were less likely to seek external finance in the next three years having obtained funds through the Covid-19 Loan Guarantee Schemes. This is not surprising as it is likely that for

[11] Table 41 and Table 42 compare the incidence of various characteristics across the borrower and non-borrower samples both before and after this matching exercise, and show that the matching reduced differences across both samples. It should be noted that an important limitation of this method is that it does not match borrowers and non-borrowers based on unobserved characteristics (e.g., attitudes to risk etc.). While the core econometric model seeks to overcome time invariant unobserved heterogeneity, it does not overcome unobservable heterogeneity that may vary over time.
[12] Comparing these business outcomes before the introduction of the Covid-19 Loan Guarantee Schemes rather than simply after seeks to overcome remaining pre-intervention heterogeneity between the two groups of businesses that may have persisted after the matching exercise from the first step.
[13] This aligns with results of the Enterprise Research Centre's (ERC) research on the impact of UK Covid-19 emergency public support measures, i.e., the furlough funding and loan guarantees on businesses' future investment intentions and employee well-being during the pandemic. ERC (2021) Covid-19, business support and SME productivity in the UK.

most borrowers, obtaining funds under the Covid-19 Loan Guarantee Schemes was the largest use of external finance in the last three years and hence, they were less likely to want to hold more debt on their balance sheets.

Wider impacts

In addition to the impact that the Covid-19 Loan Guarantee Schemes may have had on borrowers' business outcomes, they may also have had spillover effects on other businesses (e.g., through avoided supply chain disruptions). These wider impacts are unquantified at this stage but will be explored in subsequent phases of the evaluation.

Additionality of lending

One aim of the evaluation is to estimate the extent to which borrowers could have found substitutes for the funds received under the Covid-19 Loan Guarantee Schemes if these had not been in place. Loans that could not have been substituted for are referred to as 'additional'.

Overall, it is estimated that respectively 81% and 77% of BBLS and CBILS/CLBILS loans were additional. For context, 63% of loans guaranteed by the Enterprise Finance Guarantee scheme were estimated to be finance additional, though direct comparisons should be made with caution.[14] Additionality remains generally similar across sectors, regions, size categories and for ethnic minority- and female-led businesses, as well as across time and lender types. There are exceptions to this pattern – for instance, among CBILS/CLBILS borrowers, additionality is 10 percentage points lower in the case of main banks, compared to all other lender types[15].

Additionality is based on four criteria, and estimated based on survey data, which records businesses' expectations regarding:

- Whether, in the absence of the Covid-19 Loan Guarantee Schemes, they would have applied for other sources of external finance.

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[14] This additionality rate cannot be directly compared with the Covid-19 Loan Guarantee Schemes' additionality estimates for a number of reasons, including differences in methodology (e.g., different aspects of additionality are considered), and the fact that the credit conditions during the Covid-19 pandemic were different to those at the time of the EFG evaluation. London Economics (2017). Economic impact evaluation of the Enterprise Finance Guarantee (EFG) scheme.
[15] Other lender types include alternative finance, asset-backed lenders, smaller banks, and CDFI/social lenders.

- Whether they would have been successful in obtaining these funds.
- Whether these funds would have been sufficient to cover their cash flow needs.
- Whether these funds could have been obtained in time to avoid missed payments. This final criterion is particularly relevant in the context of the Covid-19 pandemic, during which many businesses faced a sudden interruption of cash-flow.

A loan is defined as being additional if, in the absence of the Covid-19 Loan Guarantee Schemes, alternative sources of funds would not have met at least one of the conditions above.[16]

Product market displacement

Any impacts of the Covid-19 Loan Guarantee Scheme on the business outcomes of borrowers such as survival should take into account the extent to which economic output from these borrowers displace output from competitors. For instance, while a restaurant may grow by catering to new customers that did not previously go to restaurants, it may also grow at the expense of other restaurants (i.e., lead people to switch away from competitors).

It should be noted that, during much of the pandemic, economic output was below its potential. Hence, during the pandemic, any product market displacement is unlikely to have occurred immediately; however, it may become more noticeable as the economy approaches full capacity. This will be considered further in the third year of the evaluation.

Average product market displacement from the BBLS and CBILS/CLBILS schemes is estimated to be 43% and 46% respectively. For context, the 2017 evaluation of the Enterprise Finance Guarantee scheme estimated that 49% of business activity was product market displacing.[17] Product market displacement remains generally similar across sectors, regions and for ethnic minority- and female-led businesses.

[16] It should be noted that loans that were not additional with respect to these four criteria may have been less costly than alternative funding that borrowers could have obtained in the absence of the Covid-19 Loan Guarantee Schemes, thereby leading to lower repayment expenses, which may in turn impact borrowers' long-run investment decisions and survival prospects.
[17] Any comparisons between the current displacement estimates and that from the EFG evaluation should be made with caution, given differences in methodologies, and general economic context. London Economics (2017). Economic impact evaluation of the Enterprise Finance Guarantee (EFG) scheme.

The extent of product market displacement depends on a number of factors, including:

- The level of competition in a business's market.
- The extent to which competitors could take up that business's sales.
- The extent to which competitors are located within the UK.

Overall product market displacement is obtained by multiplying estimates of the above three factors.

Lessons for future emergencies

Four key lessons for future emergencies have been identified by this research. These are:

1. **Loan guarantees:** The establishment of a large-scale loan guarantee programme proved an effective mechanism of providing rapid cashflow support to businesses facing financial distress during the Covid-19 pandemic. It is unlikely that the public sector could have delivered a programme of similar scale or at a similar speed from within its own resources.

2. **Targeting:** One threat to value for money arose from the removal of measures to target loan guarantees at businesses whose survival or stability was threatened by the Covid-19 pandemic. Mechanisms to target funding at businesses have the potential to significantly reduce the scale of the contingent liability assumed by the public sector.

3. **Pre-planning and pre-accreditation:** It was only possible to establish the Covid-19 Loan Guarantee Schemes quickly because there was an existing delivery template (the Enterprise Finance Guarantee programme), although there were some short-term adverse effects on competitive dynamics for challenger banks and alternative finance providers from using this approach as EFG was originally tailored to bank lenders with traditional business models. The establishment of an on-going emergency loan guarantee scheme that could be activated in the event of a future emergency (with a rolling accreditation process) could enable rapid intervention while reducing pressure on the public sector.

4. **Real-time information on financial health:** The government did not have access to detailed real-time information on the financial health of businesses applying for guaranteed loans through the Covid-19 Loans Guarantee Schemes (such as the depth of their reserves or their

liquidity) that could have provided greater insight into the effects of social distancing restrictions. Putting in place mechanisms to gather real-time data on the financial health of businesses could provide critical information to inform decision making in future crises. The most relevant real-time information is likely to be held by banking institutions, such as cash balances in current accounts and income and expenditures. Data sharing arrangements under Open Banking were not sufficiently progressed by March 2020 to provide the government with access to this type of information at the time it was needed. However, this could provide a fruitful avenue for exploration to aid future emergency planning and response.

Introduction

London Economics and Ipsos were commissioned by the British Business Bank (BBB) in March 2021 to undertake a multi-year evaluation of the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS) (hereafter referred to as the "Covid-19 Loan Guarantee Schemes" or the schemes (unless stated otherwise)).

This report provides findings from the process evaluation which aimed to assess the processes adopted to deliver the three Covid-19 Loan Guarantee Schemes and enable them to efficiently meet their policy objectives, as well as an early impact assessment which provides early quantitative estimates of the Covid-19 Loan Guarantee Scheme's impacts on business-level and wider economic outcomes.

Policy context

The extent to which the Covid-19 pandemic could potentially disrupt businesses and challenge them financially became apparent by mid-March 2020 in the UK. Business impacts of the pandemic started materialising in March 2020 following the introduction of public health measures to mitigate the spread of the virus and adoption of preventative behavioural changes amongst the UK population. Survey data from the first wave of the Business Insights and Conditions Survey[18] highlighted early impacts on turnover, with 47% of surveyed businesses reporting that turnover was lower than normal between the period of 9 March to 22 March 2020. Turnover impacts substantially worsened over a short period of time. The results of the second wave of the survey, covering the period from 23 March to 5 April, showed that 90% of surveyed businesses' turnover was lower than normal.

Other emerging business impacts of the pandemic included disruptions at the operational level, from input provision, to exports, to workforce availability, as well as deflated business confidence. Again, the first wave of the Business Insights and Conditions Survey found that

[18] Collected by the Office of National Statistics (ONS) and previously known as the Business Impact of Covid-19 Survey (BICS).

close to 25% of businesses reported that imports of materials, goods and services were affected by the pandemic, while close to 60% of businesses reported lacking confidence or feeling uncertain about having the financial resources to continue operating throughout the pandemic. These impacts also progressively worsened over time. For example, results of the seventh wave of the survey, covering the period from 1 June to 14 June 2020, found approximately 45% of surveyed businesses reporting that their imports were negatively affected by the pandemic during this period.

As a result of these early disruptions and the significant financial uncertainty affecting UK businesses, the government acted quickly, and the Chancellor introduced CBILS as part of the Spring Budget on 12 March 2020. CBILS was developed by BEIS, BBB, HMT, and in collaboration with industry bodies and lenders and launched on 23 March 2020. The design of CBILS was altered several times following its initial launch and was complemented by the launch of CLBILS in April 2020 (targeted at larger businesses ineligible for loans guaranteed by CBILS or the Bank of England's CCFF support) and by BBLS (targeted at micro and smaller businesses) in early May 2020 (Figure 2).

The overarching aims of the three Covid-19 Loan Guarantee Schemes were to offer support to businesses experiencing disruptions in cashflow and losses in revenue due to the Covid-19 outbreak (CBILS and CLBILS) and to allow businesses to rapidly gain access to finance during the outbreak (BBLS).[19] These overarching aims can be expanded into three sets of objectives, respectively aimed at the short, medium, and long terms.

Short-term objectives

- To offer businesses access to finance schemes complementing other government support and incentives.
- To unlock finance at a scale and pace such that businesses disrupted as a result of the Covid-19 pandemic still have access to finance.

[19] British Business Bank (2021) Bounce Back Loan Scheme (BBLS). [Online] Available at: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/ [Accessed 15 April 2021]; British Business Bank (2021) Coronavirus Business Interruption Loan Schemes and Future Fund. [Online] Available at: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/ [Accessed 15 April 2021].

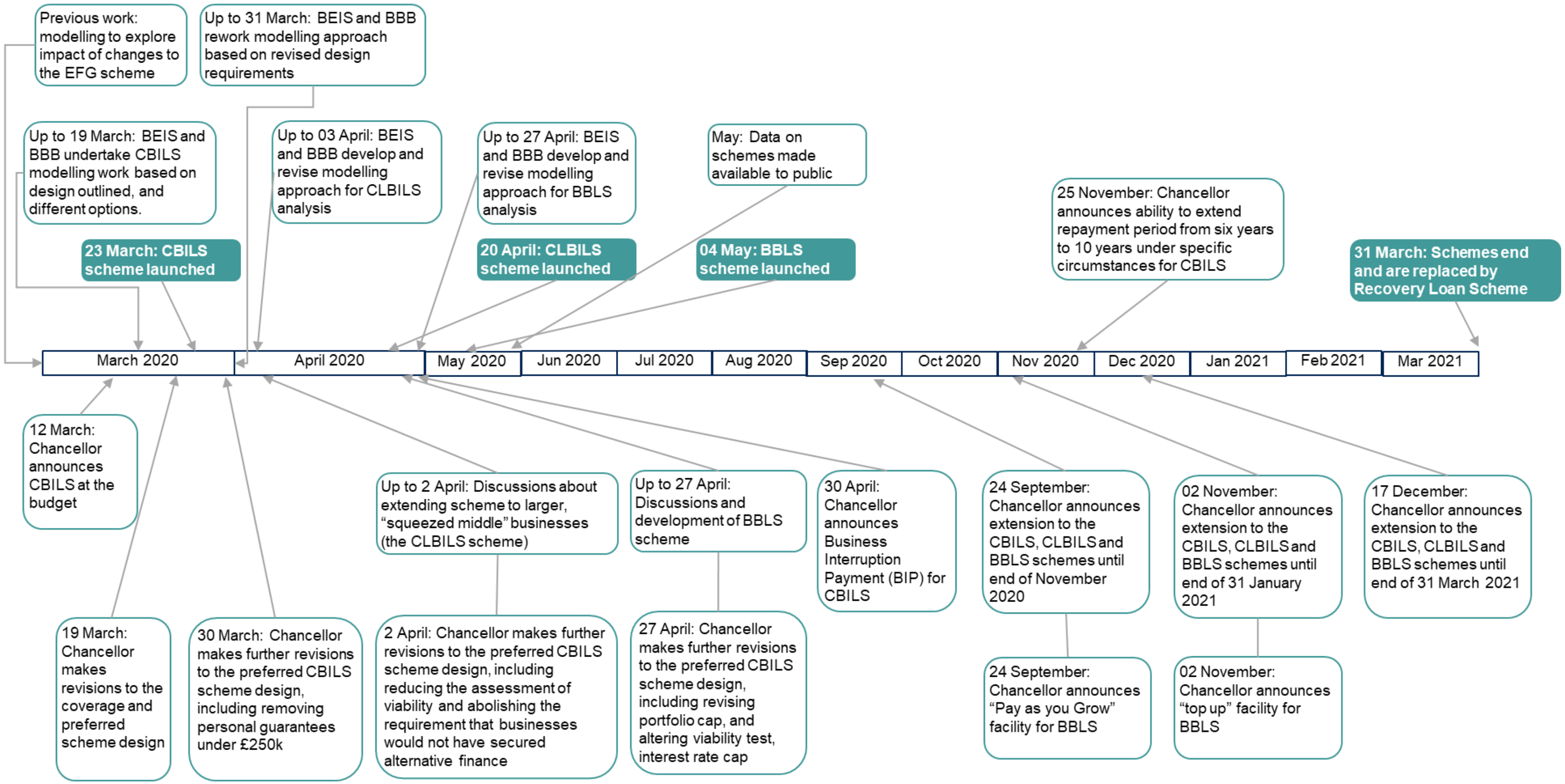
Medium-term objectives

- To give businesses maximum opportunity to maintain liquidity until lockdown measures are lifted (given knowledge about the pandemic when the Covid-19 Loan Guarantee Schemes were launched).
- To incentivise appropriate risk taking by lenders.

Long-term objectives

- To offer a debt structure that considers long-term business survival.
- To offer a debt structure that allows businesses with long-term growth potential to continue growing.
- To realise long-term economic benefits (from the previous two bullet points) that exhibit value for money against any HMG incurred losses.

Figure 2: Timeline of BBLS, CBILS, and CLBILS



Note: Some dates shown pertain to when design changes were announced, rather than when they went live.

Theory of change

A visual representation of the logic model for the Covid-19 Loan Guarantee Schemes is presented in Figure 3 overleaf. This built on a similar model developed by the British Business Bank as part of the objective setting for the schemes. A more detailed description of the intervention logic is also provided below.

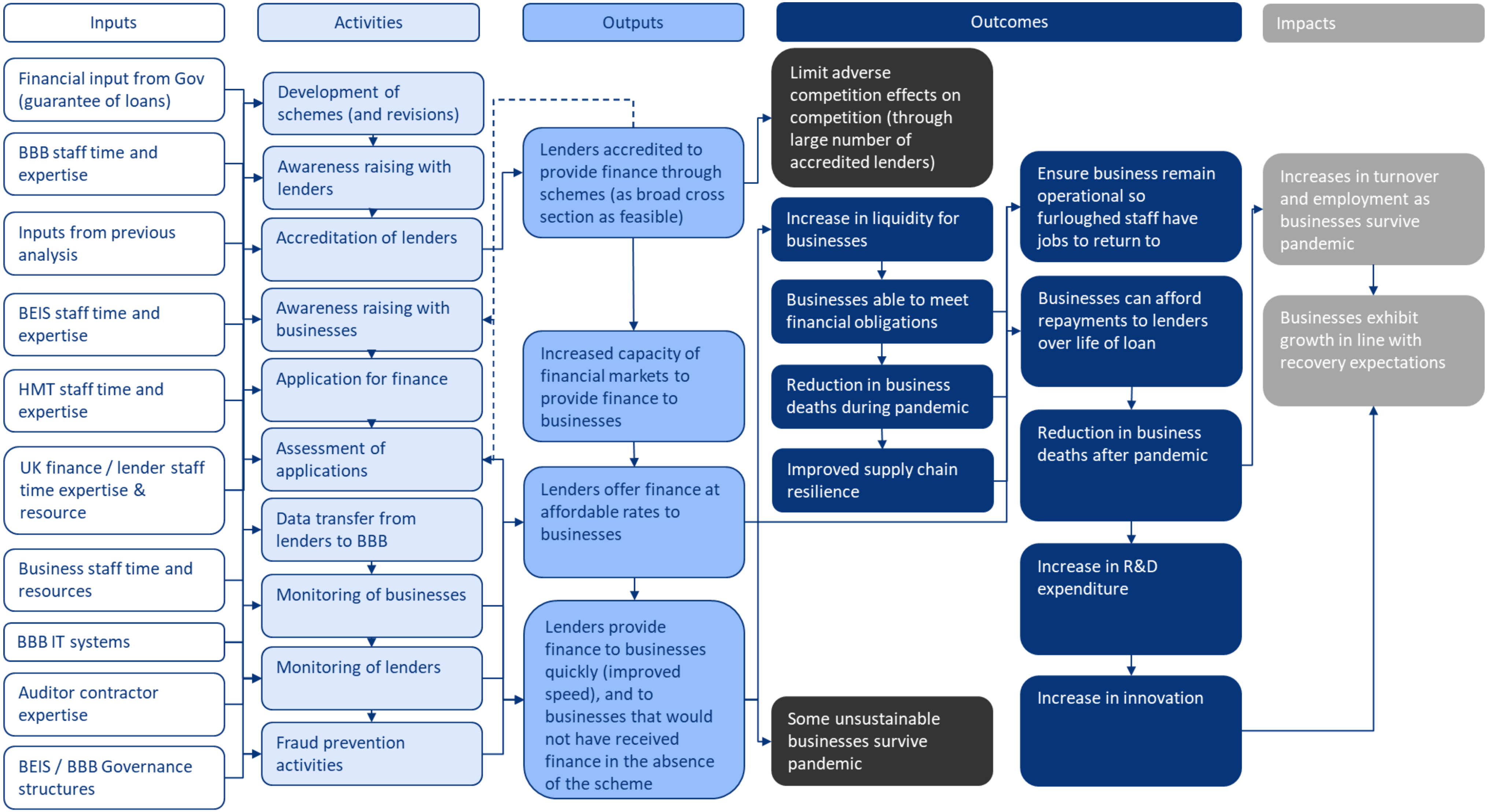
Inputs

There were multiple inputs into the Covid-19 Loan Guarantee Schemes. This included the financial input committed by the government to provide the guarantee for the loans approved under the Covid-19 Loan Guarantee Schemes. The value of this input will not be known until the lifetime of the loans provided has expired and the default rates are finalised. In addition to the financial inputs, numerous other inputs were absorbed, including:

- British Business Bank, BEIS, and HMT providing staff resources (in terms of both time and staff knowledge and expertise) to develop the design of the Covid-19 Loan Guarantee Schemes.
- British Business Bank and BEIS staff resource to raise awareness of the Covid-19 Loan Guarantee Schemes and ensure messages were communicated clearly by delivery partners.
- British Business Bank staff resources to develop scheme guidance, the underpinning legal agreement, accredit lenders, and operate the Covid-19 Loan Guarantee Schemes (including managing payment of Business Interruption Payment claims and collecting the Scheme Lender Fee).
- British Business Bank and BEIS governance systems to manage the three Covid-19 Loan Guarantee Schemes.
- British Business Bank IT systems to facilitate the data sharing.
- Staff expertise of UK Finance and other industry bodies to support scheme development.
- The experience and expertise of the contractors commissioned to monitor lenders as part of the Audit Assurance Programme.

- Accredited lender staff resources (again expertise alongside staff time) to submit their application to become an accredited lender, run the application and assessment processes to award finance, share data and monitor businesses.
- Business staff resources to complete application processes and ensure repayment of loans.

Figure 3: Logic model for BBLS, CBILS, and CLBILS



Activities

A detailed description of the activities and processes involved in the delivery of the three Covid-19 Loan Guarantee Schemes is provided in the process evaluation annex. In summary, the key activities involved in the delivery of the three Covid-19 Loan Guarantee Schemes were:

- Scheme design - British Business Bank, BEIS, HMT, UK Finance (and lenders) were involved in detailed discussions and modelling exercises, drawing on previous research undertaken by British Business Bank exploring the impacts of changing the design of the Enterprise Finance Guarantee (EFG), to develop appropriate instruments to be used for each of the Covid-19 Loan Guarantee Schemes.

- Awareness raising activities with lenders – British Business Bank, UK Finance and other industry bodies were involved in raising awareness of the Covid-19 Loan Guarantee Schemes among lenders, with the aim of ensuring that a large and diverse pool of lenders applied to take part in the Covid-19 Loan Guarantee Schemes.

- Accreditation process – Lenders applied to British Business Bank to become an accredited lender for the Covid-19 Loan Guarantee Schemes[20], and British Business Bank assessed applications and made decisions as to the lenders that could be accredited to one or more of the Covid-19 Loan Guarantee Schemes. The aim of this process was to ensure that only lenders that were financially stable, with a viable business model, a track record of SME lending, and business structure that aligned with the aims and objectives of the Covid-19 Loan Guarantee Schemes were providing loans through the Covid-19 Loan Guarantee Schemes. Accredited lenders were also provided with training by the British Business Bank.

- Awareness raising with businesses – British Business Bank and accredited lenders provided information to businesses about the Covid-19 Loan Guarantee Schemes to ensure a high proportion of businesses in the UK were aware of the Covid-19 Loan Guarantee Schemes.

- Application for finance and assessment of applications – businesses submitted applications for finance to lenders, who then assessed the applications and make lending decisions.

[20] For BBLS and CLBILS, and CBILS where lenders were not already accredited to the Enterprise Finance Guarantee scheme.

- Lenders transferred information about the lending they have provided to businesses to British Business Bank using the British Business Bank’s IT systems and the data portal.
- Certain lenders may have undertaken monitoring of businesses that have been awarded finance, to ensure that loan proceeds were being used as anticipated by the Covid-19 Loan Guarantee Schemes.
- British Business Bank commissioned external auditors to undertake the Audit Assurance Programme to provide independent monitoring of accredited lenders. The auditors also oversee the implementation of corrective action plans by the lender (where necessary) and provide the British Business Bank with management information to support its oversight of the Covid-19 Loan Guarantee Schemes.
- Lenders and BEIS led activities to detect and pursue cases of fraud, which mainly focusses on the BBLS scheme.
- Lenders undertake business as usual policies to recover loan repayments from businesses.

Outputs

The activities described above led to the following key outputs for the Covid-19 Loan Guarantee Schemes:

- The accreditation of lenders to provide finance through the Covid-19 Loan Guarantee Schemes. A large and diverse pool of lenders were included in the Covid-19 Loan Guarantee Schemes, with the aim of allowing as large a proportion of UK businesses as possible to have access to the Covid-19 Loan Guarantee Schemes, and to limit the distortionary effects of the Covid-19 Loan Guarantee Schemes on financial markets.
- The accredited lenders had more appetite to provide lending to businesses due to the guarantees on the loans. The scheme designs also ensure that lending was provided at affordable rates to businesses.
- Lenders provide finances to businesses that successfully apply to the Covid-19 Loan Guarantee Schemes.

Expected outcomes, impacts and costs

Given the Covid-19 Loan Guarantee Schemes' objective of providing financial support which businesses may otherwise have struggled to obtain in a timely manner, it is expected that the schemes will have generated additional lending.

These funds may have enabled certain businesses to survive and continue to generate economic activity. Therefore, the schemes are expected to generate a positive impact on business survival, turnover, and employment (the latter two in part by avoiding loss of turnover and employment driven by business deaths). The impact of the schemes on productivity may be ambiguous. Indeed, on one hand, the schemes may have enabled less productive businesses that would have exited the market under normal circumstances to survive, while on the other, the finance obtained through schemes may have helped businesses adapt more quickly to the new circumstances (e.g., by making investments in response to the pandemic), leading them to have higher productivity than businesses which did not obtain finance from the schemes. In addition to these 'direct' impacts on loan recipients, other businesses may have been indirectly impacted by the schemes (e.g., the survival of suppliers will minimise disruptions to production, and the survival of creditors will minimise disruptions to cash flow).

Evaluation context

Inception stage

In the inception stage of the evaluation, BBB assembled a steering group to oversee the project which includes representatives of key stakeholder organisations (including BBB, BEIS, and HMT) The evaluation team meet the steering group quarterly (or when deemed necessary) and provide progress updates, present emerging findings and/or discuss key risks (and potential mitigations) that would impact the quality and delivery of the evaluation.

The steering group formally signed-off a number of key outputs during the inception stage and first year of the evaluation, including:

- A methodology paper: This paper provided a detailed description of the mixed methods that were proposed to be used to address the specific process, impact, and economic questions as well as the rationale for their selection to address the evaluation questions. To help guide the study, a comprehensive process evaluation framework was also provided, which was developed through a rapid evidence review of documentation underpinning the design and implementation of the three Covid-19 Loan Guarantee Schemes and management data collected by BBB. The paper was peer-reviewed by an academic appointed by the evaluation team as well as two external academics appointed by BEIS.

- Research tools: A survey questionnaire, drawing on similar surveys (such as the SME and Mid-Cap Business Finance Survey) and other research on the impact of Covid-19 on businesses (such as the Business Insights and Conditions Survey (BICS)), was developed to collect data on key research questions. The questionnaire design was led by the Theory of Change and the needs of the quantitative analysis.

The evaluation has also drawn on relevant academic expertise, and been subject to academic review.

The content and scope of the project has required consideration of, and collaboration with, wider government workstreams. The project team have been mindful of other parallel workstreams and provided assistance where appropriate.

Evaluation plan

This report is the first of a three-year evaluation of the Covid-19 Loan Guarantee Schemes and forms part of a wider programme of monitoring and evaluation. It presents findings from the process evaluation and provides an early impact evaluation. The process evaluation component assesses the effectiveness of the processes adopted to administer the Covid-19 Loan Guarantee Schemes, considers end-to-end processes from scheme design through to implementation, and explores key learning opportunities. The impact evaluation analyses the quantitative survey data collected as a part of the project to assess the additionality of the Covid-19 Loan Guarantee Schemes, their impact on business outcomes (survival, turnover, employment).

In the second year, the evaluation will focus on the impact evaluation using survey data (collected in 2022) to assess the impact of the Covid-19 Loan Guarantee Schemes on business outcomes in 2021/2022 and validate the first year’s results using secondary data sources. Additionally, the wider impacts of the Covid-19 Loan Guarantee Schemes on the general population of businesses (borrowers and non-borrowers) will be explored. The process evaluation component will provide an assessment of the fraud risk and detection processes.

In the third and final year, the study will focus on the process, impact, and economic evaluations. The process evaluation component will investigate whether debt recovery processes were fit for purpose, and whether the design process for the recovery regime has learnt any lessons from the scheme design. The impact evaluation component will again use survey data (collected in 2023) to assess the impact of the Covid-19 Loan Guarantee Schemes on business outcomes in 2022/2023 – with the addition of labour productivity as a business outcome[21] – and validate the second year's results using secondary data sources. Finally, the economic evaluation component will assess the value for money of the Covid-19 Loan Guarantee Schemes.

Research questions

The key research questions are split into process, impact, and economic questions. Table 1 provides more detail on the research questions that will be examined as a part of this evaluation.

[21] Labour productivity, measured as turnover divided by employment, is not included as a business outcome in previous years because employment figures include furloughed staff under the Government's Coronavirus Job Retention Scheme (CJRS). Indeed, businesses that have reduced their production and furloughed some of their employees will have experienced a reduction in turnover, but their employment may have remained constant (as furloughed workers are still employees). Hence, their labour productivity, as proxied by turnover divided by employment, may appear misleadingly low. The impact of the Covid-19 Loan Guarantee Schemes on that outcome will therefore be estimated for reference year 2022/2023.

Table 1: Evaluation research questions

Process Evaluation	**Scheme Design**	How did government provide strategic direction to deliver the Covid-19 Loan Guarantee Schemes?
		How close to optimal was the mix of input from specialty teams as part of the scoping and delivery phases?
		How effective was communication and collaboration with (a) lenders and (b) the business community?
		How effective was the analysis of lender incentives and resulting behaviour?
		To what extent does scheme design complement other business support interventions?
		How successfully have the adaptations to the Covid-19 Loan Guarantee Schemes made post-launch (e.g. for BBLS only, Pay as You Grow and the availability of top-ups) been implemented?
		To what extent do the post-launch adaptations complement the other scheme parameters?
		To what extent did scheme design strike an appropriate balance between speed of delivery and controls?
	Scheme Delivery	How effective are the processes used by lenders?
		How high were awareness levels of the Covid-19 Loan Guarantee Schemes among eligible businesses?
		How did eligible business perceive the Covid-19 Loan Guarantee Schemes before deciding whether or not to apply?
		To what extent are borrowers satisfied with the lending process?
		How thorough were risk management practices adopted?
		Were the BBB's and other government organisations' infrastructure capable to cope with the Covid-19 Loan Guarantee Schemes?
		To what extent did scheme performance meet objectives and expectations?
		Which areas of delivery worked well?
		Which areas of delivery require the most improvement?

		Was the method of delivery used the most appropriate for these interventions? What have other governments done with similar schemes? Are there international comparisons?
	Debt Recovery Processes	Has the design process for the recovery regime learnt any lessons from scheme design? Are the debt recovery processes fit for purpose?
	Variations in Processes	Are there any significant variations in processes between different lenders on each of the Covid-19 Loan Guarantee Schemes? Is there any evidence that businesses run by management teams or business owners with certain protected characteristics have been disadvantaged by any of the scheme processes?
Impact Evaluation	**Additionality of Lending**	To what extent did the guarantees unlock additional lending – that is, funding borrowers could not access through any other sources (in terms of speed of approval and interest charged)? What are the estimates for economic additionality – accounting for both additionality of lending (or 'finance additionality') and economic activity that would have been carried out by competitors in the absence of the Covid-19 Loan Guarantee Schemes (i.e., 'displacement')?
	Variations in Additionality	Is there any evidence that the level of additionality has varied substantively over time or between lenders?
	Impact of Lending on Businesses	How was the finance used by borrowers? To what extent did the lending unlocked by the Covid-19 Loan Guarantee Schemes impact business survival in the short and long run? To what extent did the lending unlocked by the Covid-19 Loan Guarantee Schemes impact employment levels in the short and long run? What were the impacts of Covid-19 Loan Guarantee Schemes lending on longer term business performance?
	Variations in Business Impacts	How were these impacts distributed across regions and sectors?

		Is there any evidence that businesses run by management teams or business owners with certain protected characteristics have experienced different impacts?
	Wider Impacts	To what extent have the Covid-19 Loan Guarantee Schemes impacted the wider business lending landscape? Have the Covid-19 Loan Guarantee Schemes had any discernible impact on borrowers' attitudes to external finance? Have there been any discernible impacts on aggregate productivity?
	Contribution Analysis	To what extent can impacts be isolated from other government support schemes?
Economic Evaluation	**Costs**	What were the administration and recovery costs of the Covid-19 Loan Guarantee Schemes? What were the write-offs from the Covid-19 Loan Guarantee Schemes? To what extent do write-offs align with design expectations? To what extent did the costs vary over time or between lenders?
	Benefits	What is the value of the economic activity saved by the Covid-19 Loan Guarantee Schemes?
	Value for Money	Did the Covid-19 Loan Guarantee Schemes represent good value for money? To what extent do the actual costs and benefits align with ex-ante estimates? Are there any lessons that could be applied to future scheme appraisals?

Report structure

The report is organised as follows:

- The first chapter presents the findings from the process evaluation, which covers the design of the Covid-19 Loan Guarantee Schemes, communication, lender accreditation, business application and assessment, data transfer and sharing, monitoring and fraud, and management and governance.

- The second chapter provides the findings of the early impact evaluation, covering the additionality of lending under the Covid-19 Loan Guarantee Schemes, product market displacement and the impact of lending on businesses.
- The final chapter presents the report’s conclusions.

Detailed information on the methods used in the first year of the evaluation and supplementary analysis are provided in the annexes to the report.

Process evaluation

Introduction

This chapter assesses the effectiveness of the processes adopted in the design and the delivery of BBLS, CBILS, and CLBILS. This assessment is based on the process evaluation framework agreed with the British Business Bank and BEIS in May 2020 (provided in Annex 1). The assessment drew on an analysis of monitoring information and scheme documentation provided by the British Business Bank and BEIS, depth interviews with officials in the British Business Bank, BEIS, and HM Treasury, lenders, and businesses[22], the survey of businesses borrowing under the Covid-19 Loan Guarantee Schemes, and a review of other secondary material.

This report does not provide an assessment of debt recovery processes adopted in BBLS, CBILS, and CLBILS, which will be covered in a subsequent phase of the evaluation. Additionally, this stage of the evaluation did not collect evidence on the effectiveness of fraud prevention and detection processes owing to the nascency of data and parallel National Audit Office investigation into BBLS[23]. The results of an on-going programme of external audits assessing the compliance of lenders with certain terms of the Covid-19 Loan Guarantee Schemes, which is based on the selection of a sample of scheme-supported facilities, commissioned by the British Business Bank will also be reported in later phases of the evaluation.

Objectives and methodology

The aim of the process evaluation is to assess the effectiveness of the processes adopted to deliver the three Covid-19 Loan Guarantee Schemes in enabling them to efficiently meet their policy objectives. The key research questions for the process evaluation defined in the Terms

[22] As well as representative bodies of both communities.
[23] As the two research exercises were taking place at the same time, it was decided to avoid overburdening stakeholders by interviewing them twice on the same topic. The evaluation will consider fraud in the context of debt recovery in subsequent reporting.

of Reference for the evaluation are presented in Table 1. These questions were refined through the development of an evaluation framework (see Annex 1), which mapped the processes involved in the delivery of the schemes, defined more detailed evaluation questions, and the evidence required to address them.

The research undertaken to collect the evidence to inform the process evaluation were:

- **Programme documentation:** A review of documentation describing how the schemes had been designed, scheme guidance, documents entered into between lenders and the Guarantor, and information about how the schemes were altered over time.
- **Management information:** This included data around the scheme portfolios (value and number of instruments offered and drawn down) and lenders.
- **Secondary datasets:** Secondary data was obtained to provide further measures to support the process evaluation, and included company accounts captured by FAME, the British Business Bank's SME Finance survey, BVA BDRC's SME Finance Monitor and surveys exploring business confidence.
- **Stakeholder consultations:** Interviews were completed with 36 stakeholders to collect views on the effectiveness of processes adopted to deliver the loan guarantee schemes. These interviews had a duration of around one hour per stakeholder and were conducted using Microsoft Teams. Stakeholders included individuals involved in the scheme design and delivery (from the British Business Bank, BEIS, and HM Treasury) and 19 delegated lenders involved in scheme delivery, and wider business groups. Additionally, as issues in relation to fraud were deemed out of scope of this stage of the evaluation, consultees relevant to these aspects were not engaged at this stage. The evaluation will seek to gather these perspectives in later stages.
- **Depth interviews with 42 businesses:** These interviews had a maximum duration of 45 minutes and covered the issues that businesses faced during the pandemic, the reasons why they applied (or did not apply) for the schemes, their experiences of the schemes and the effect the lending had on their business. The sample comprised 17 BBLS, 16 CBILS, and one CLBILS borrower, alongside eight businesses that did not receive loans under one of the Covid-19 Loan Guarantee Schemes. The sample was selected to provide coverage of a

range of industries and business sizes, and was not intended to be representative of the population of borrowers

- **Quantitative survey of businesses:** A telephone survey of borrowers and non-borrowers was undertaken and collected a variety of information from businesses. The achieved survey sample included interviews with 558, 358, and 32 businesses obtaining loans guaranteed by BBLS, CBILS and CLBILS respectively and 1,171 comparable businesses that did not take-up guaranteed lending. Further detail is provided in Annex 2.

Scheme design

Overview

CBILS was announced by the Chancellor on 11 March 2020 as part of the Spring Budget 2020. The scheme was developed by BEIS and the British Business Bank and launched on 23 March 2020. As illustrated in the timeline in Figure 2, the design of CBILS was altered several times following its initial launch and was complemented by the launch of CLBILS in April 2020 (targeted at larger businesses ineligible for loans guaranteed by CBILS and unable to access funding through the Coronavirus Corporate Financing Facility) and of BBLS in early May 2020.

The Covid-19 Loan Guarantee Schemes were required to operate under the Temporary Framework for State Aid measures to support the economy in the Covid-19 outbreak. This was adopted by the European Commission on 19th March 2020 to enable Member States to use the full flexibility foreseen under State aid rules to support their economies during the pandemic. The Temporary Framework was amended several times, which also led to changes in the parameters of the Covid-19 Loan Guarantee schemes.

Scheme development process

The Covid-19 pandemic and resultant social distancing restrictions created immediate disruption to the cashflow of many businesses, particularly those that were forced to close. For example, ONS research[24] indicated that in early June 2020 (one month before lockdown

[24] ONS (2020) Business Impact of Covid-19 Survey: Wave 7

restrictions were lifted), 33 percent of businesses had paused trading and a further 11 percent had only restarted in the preceding two weeks.

The unprecedented level of economic uncertainty was also expected to constrain the supply of credit to businesses, as lending institutions were unable to assess the level of default risk associated with lending decisions. While the Coronavirus Job Retention Scheme (CJRS) was introduced to support businesses with their wage costs, many businesses faced non-wage costs that could result in their insolvency in the short-term. These issues motivated the government to act rapidly to provide cashflow support to prevent a potential wave of widespread business failures.

As highlighted in Figure 2, the British Business Bank was able to launch CBILS as social distancing restrictions were announced on 23 March 2020, within twelve days of its announcement at Budget on 11 March 2020. CLBILS and BBLS were announced and planned after this date and were both launched within six weeks of the introduction of economy wide restrictions, first CLBILS then BBLS. Several policy stakeholders indicated that there had been limited planning within government around what economic policy levers to use when faced with a national emergency with macroeconomic impacts of far greater significance than typical recessions. However, it was possible to launch the schemes rapidly because:

- **Scheme delivery template:** The British Business Bank operated existing guarantee schemes (the ENABLE Guarantee[25] and Enterprise Finance Guarantee (EFG) programme). A decision was made to follow the EFG model because it offered a standardised delivery template[26], would not require development of bespoke systems, and around 40 lenders were already accredited to deliver the scheme. The speed of the response was aided by preparatory work exploring the possibility of adjusting the parameters of EFG ahead of the UK's departure of the European Union.
- **Approval process:** The schemes were approved using the Contingent Liability Approval Framework process. This involves less extensive appraisal of the available policy options than the Five Case Business Case process. Policy officials consulted indicated that no alternatives to a loan guarantee programme to meet SMEs debt finance needs were

[25] A British Business Bank Market programme providing a portfolio guarantee to cover a portion of a designated lending portfolio's net credit losses in excess of an agreed 'first loss' threshold.
[26] Rather than a bespoke model that would need to be adjusted for each lender, increasing the time taken to establish the scheme.

considered. Modelling of the potential value for money associated with the schemes was undertaken, giving valuable information on the potential scale of the contingent liability resulting from the schemes (although this was subject to high levels of uncertainty in relation to likely take-up, default rates, anticipated business survival rates in the absence of intervention, and potential levels of fraud particularly for BBLS).

- **Engagement with lenders:** Rapid establishment of the Covid-19 Loan Guarantee Schemes depended on the willingness of lenders to participate in them. Although development of the terms of the scheme required iterations, representatives of the lending community noted that the British Business Bank and HM Treasury worked effectively with lenders to develop schemes that could be feasibly and rapidly implemented (though the final details of the scheme did not always align with expectations, as highlighted below).

The National Audit Office investigation of BBLS highlighted that the scheme development process did not result in a programme with clearly defined aims and objectives beyond fast supply of finance to SMEs[27]. However, short, medium, and long-term SMART objectives were defined by the British Business Bank following scheme launch[28]. This covered strategic objectives in relation to addressing financial market failures and incentivising appropriate risk taking by lenders, impacts in maintaining liquidity until lockdown measures are lifted, and supporting long-term survival and growth.

Policy officials highlighted that some aspects of scheme design were publicly announced before being worked through and developed by the British Business Bank and BEIS. A notable example was the Business Interruption Payment associated with CBILS (the interest free element of the loan)[29], which was announced before it was established how this would comply with the Temporary State Aid Framework and approval had been obtained from the European Commission. This solution was reportedly challenging for officials to develop, added pressure to the staff working on these solutions, and was repeatedly flagged as a feasibility risk in requests for Ministerial Directions published by BEIS (as discussed further below).

[27] National Audit Office (2020) Investigation into the Bounce Back Loan Scheme
[28] British Business Bank and BEIS Business Growth Directorate (2020) CBILS Scheme Objectives
[29] The Business Interruption Payment was also a part of the BBLS – however by the time the BBLS was launched the Business Interruption Payment had already been approved, meaning this aspect of the BBLS was developed prior to the scheme announcement.

Responsiveness to feedback and changes in the policy environment

The British Business Bank, BEIS and other stakeholders sought continuous feedback from the business community, which led to a range of adjustments to the schemes:

- **Take-up of CBILS:** Take-up of CBILS was initially slow (as discussed in the Applications and approvals section below) and several modifications to the design of the scheme were made to stimulate faster take-up:
  - Lenders were initially permitted to require personal guarantees, and feedback obtained indicated that this discouraged take-up. Personal guarantees were removed on loans under £250k on 3rd April 2020.
  - The cap on the gross government liability at the level of a lender's CBILS portfolio (initially 75 percent of losses) was removed on 27th April 2020. This extended the 80 percent guarantee to all CBILS lending.
  - CBILS was initially launched with a requirement that businesses should demonstrate that they could not obtain finance on commercial terms to be eligible for the scheme (in line with requirements for the EFG). However, stakeholders in the lending industry highlighted that the Business Interruption Payment (BIP) created perceptions of inequity amongst customers (as stronger businesses would be required to bear the interest costs associated with new lending). This was addressed by removing the requirement for businesses to demonstrate they could not obtain finance on normal commercial terms.
- **Introduction of BBLS:** Despite adjustments to CBILS, the British Business Bank continued to receive feedback that loan applications were being processed slowly and many smaller businesses were being declined. Stakeholders partly attributed this to risk aversion amongst lenders (as they were still exposed to residual default risk under the terms of the guarantee), and the checks required on viability and credit-worthiness (with loans under the value of £25,000 regulated under the Consumer Credit Act). BBLS was introduced to accelerate loan approvals for the smallest businesses, allowing applicants to self-certify their viability and credit-worthiness for term loan requests of up to £50,000. This led to an increase in the minimum value of credit available under CBILS term loans and revolving credit facilities to more than £50,000 (and revolving credit facilities below £50,000 were not available under either CBILS or BBLS).

- **Introduction of CLBILS:** CLBILS was introduced to address a perceived gap in the availability of credit for larger businesses that were unable to access CBILS as they had an annual turnover over £45m or the Bank of England's Corporate Credit Financing Facility (CCFF) as they did not have access to public capital markets.

There were also considerable uncertainties as to the likely duration of the need for social distancing restrictions when the schemes were launched, and their design evolved with prevailing public health restrictions. Policy officials indicated that the scheme was initially planned on the assumption that social distancing restrictions would be needed for a period of months to bring the public health situation under control and the schemes were initially planned to close after six months.

The schemes were extended on several occasions as it became clear that further social distancing restrictions would be required to manage the resurgence of Covid-19 over Autumn and Winter of 2020/21. The introduction of Pay As You Grow (allowing BBLS borrowers to extend the term of their loan, make interest only payments for a period, or take a payment holiday) and the BBLS top-up facility also increased flexibility for businesses adversely affected by the on-going disruptions to trading conditions. As highlighted above, the Temporary Framework was also repeatedly extended, highlighting that the issues facing businesses as a result of the pandemic were common across EU Member States.

Risk

Several major risks to the value for money, affordability, and feasibility of the schemes were identified in the process of developing the schemes. Additionally, many of the adjustments made to the design of the Covid-19 Loan Guarantee Schemes were intended to increase the speed with which funding reached businesses but with an acceptance they would increase the scale of the contingent liability assumed by the public sector and exacerbate existing or introduce new risks to the value for money associated with the interventions.

These risks were acknowledged in the Contingent Liability Checklists for each scheme and the significance of these concerns led BEIS to seek several Ministerial Directions[30] and the British

[30] BEIS (2020) Bounce Back Loan: Request for Ministerial Direction and Changes to Coronavirus Business Interruption Loan Scheme: Request for Ministerial Direction

Business Bank to send a Reservation Notice[31]. The key risks highlighted in this correspondence included:

- **Additionality risks:** The removal of requirements for businesses to demonstrate that they could not obtain credit under normal conditions made most SMEs potentially eligible for guaranteed lending. As guaranteed lending offered more favourable terms than normal commercial lending, the schemes were expected to displace existing commercial lending and increase the scale of the contingent liability assumed by the public sector. As well as raising affordability concerns, there was also a recognition that implicit subsidies would reach businesses that did not face survival risks as a result of Covid-19 or businesses that would have failed regardless of the pandemic (although there was a requirement that borrowers were not an ‘undertaking-in-difficulty’ in line with the Temporary Framework for State Aid).
- **Fraud:** Specific risks were flagged regarding the scope for fraud in relation to BBLS. While lenders would apply standard ‘know your customer’, ‘anti-money laundering’ and fraud screening checks, these were not considered sufficient by BEIS to reduce the level of fraud risk to acceptable levels (with an independent review rating the residual fraud risk as very high).
- **Competition:** Concerns were also raised by BEIS and the British Business Bank in relation to the scope for BBLS to lead to market distorting impacts by eliminating demand for credit on commercial terms from non-accredited lenders. This was expected to favour traditional lenders over challenger banks and alternative finance providers (and led the British Business Bank to request the suspension of its targets for diversity in the lending market), however the risks associated with this were balanced against the benefits to borrowers of having a low interest rate.

Acceptance of these risks at a political level was a critical aspect in enabling the schemes to go forward in their final form and at the speed at which they were implemented (though it should be noted that the Ministerial Direction submitted by BEIS for BBLS included an alternative, lower risk proposal, which had been developed in partnership with BBB).

[31] British Business Bank (2020) Reservation Notice for the Bounce Back Loan Scheme

Relationship with other schemes

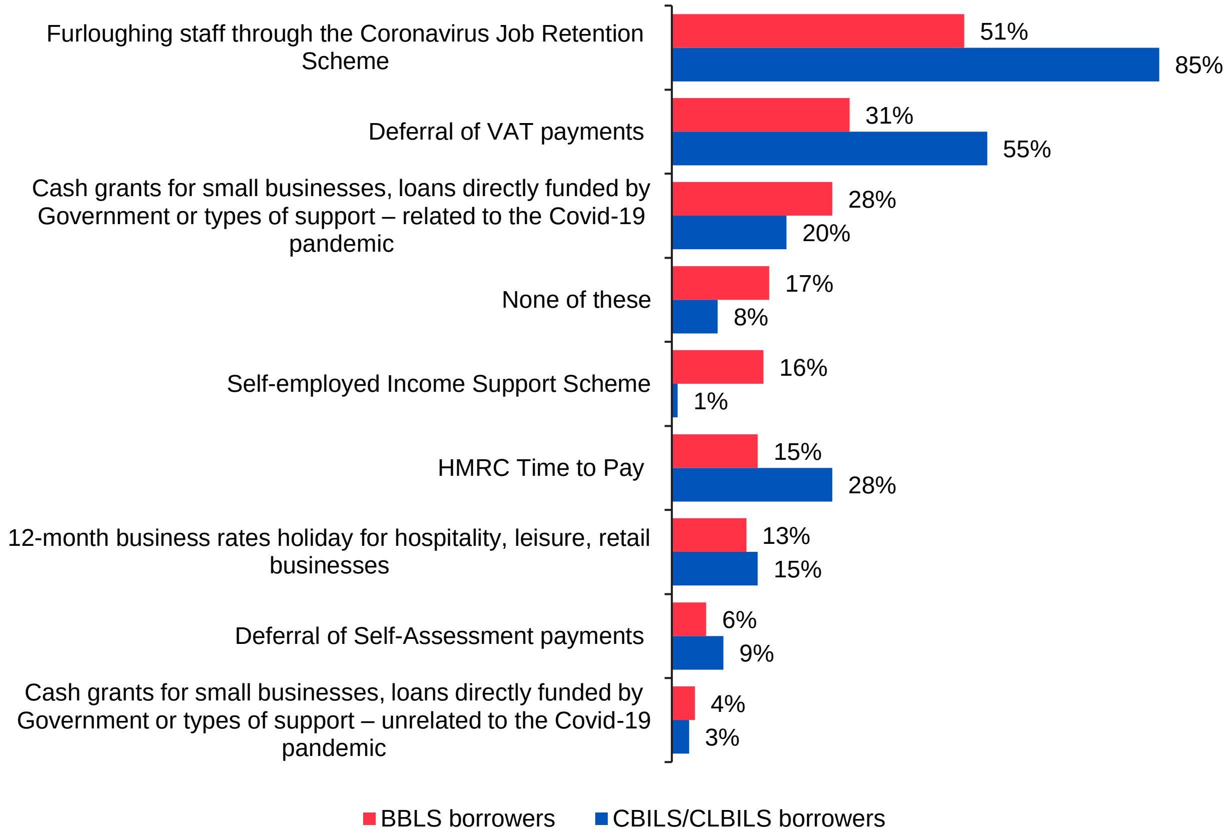
The Government launched numerous other programmes of support for businesses alongside the Covid-19 Loan Guarantee Schemes. These included measures to support businesses with their cashflow, including the Local Authority Covid-19 business support grant schemes, business rates relief, allowing businesses to defer VAT payments, and the Coronavirus Job Retention Scheme (covering most of the wages of staff that could not be deployed productively during the Covid-19 pandemic)[32]. The 2020 Corporate Insolvency Governance Act (CIGA) also included a variety of temporary and permanent measures to give businesses more financial ‘breathing space’, including temporary removal of ‘wrongful trading’ regulations and a ban on winding-up petitions for debts accumulated due to Covid-19.

Policy officials within BEIS and BBB reported that they were not aware of any considerations of possible complementarities between, or duplication of, other schemes in the development of BBLS, CBILS, and CLBILS as they were being developed in parallel and at pace (although it was reported that these were considered within HMT). The survey of borrowers of guaranteed loans undertaken as part of the current evaluation indicated that businesses made widespread use of these parallel programmes. Over eighty percent of BBLS borrowers and ninety percent of CBILS borrowers reported obtaining some form of parallel support beyond loan guarantees. Use of CJRS was most widely reported (51% of BBLS borrowers and 85% of CBILS borrowers) with the second most widely reported being deferral VAT payments (Figure 4).

Between 20 to 30 percent of borrowers of guaranteed loans also received grants. Grant schemes were also typically aimed at supporting businesses with their non-wage costs. This could have produced complementarities for the most acutely affected business where both sources of funds were needed to secure their survival, though duplication could have arisen where the total support provided exceeded what was required. As most Local Authority grant schemes offered relatively small sums of funding[33], any such issues are likely to be concentrated amongst smaller businesses receiving loans guaranteed by BBLS.

[32] The Future Fund also provided convertible loans to innovative pre-revenue businesses.
[33] For example, the Retail, Leisure, and Hospitality Grant Fund offered grants of £10,000 to £25,000.

Figure 4: Use of government support between March 2020 and March 2021



Base: All BBLS borrowers (588), CBILS and CLBILS borrowers (390). Source: London Economics and Ipsos MORI's analysis of survey data

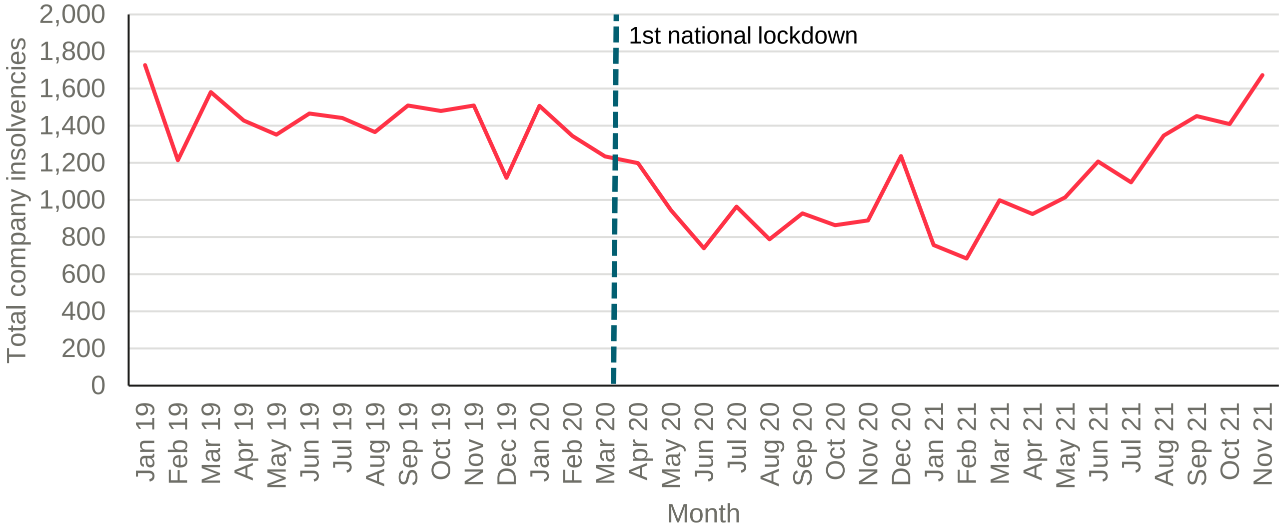
The protective effect of the package of support provided by the government during the Covid-19 pandemic appears to have been significant in the short-term. As illustrated in Figure 5, the monthly number of insolvencies fell substantially after March 2020[34] and only began to rise to pre-pandemic levels towards the latter half of 2021 as economic support measures were withdrawn. BEIS Business Population estimates[35] indicate that unregistered businesses have been more adversely affected, with numbers falling by 400,000 between 2020 and 2021, and the Global Entrepreneurship Monitor UK indicating a fall in early-stage entrepreneurial activity in 2020 (falling to 7.5 percent from 9.9 percent in 2019)[36]. However, research into changes in self-employment has suggested that this was (at least partly) driven by a reduction in the

[34] This was the case across OECD countries – see https://voxeu.org/article/covid-rages-bankruptcy-cases-fall (accessed 08/03/2022). The fall could also be due to the introduction of the Corporate Insolvency and Governance Act (CIGA) in 2020
[35] BEIS (2021) Business Population Estimates
[36] Global Entrepreneurship Monitor 2020 (2021), https://www.enterpriseresearch.ac.uk/gem-uk-2020-report-2/

formation of unregistered businesses and an increase in self-employed workers transitioning into employment[37].

This raises a question as to how far it was necessary to fully accept the threats to value for money highlighted above to accelerate the availability of funding to smaller businesses. However, as noted, this needs to be seen in the context of the unprecedented levels of economic uncertainty at the time of the implementation of the schemes.

Figure 5: Total company insolvencies by month, January 2019 to November 2021



Source: Insolvency Service

Skills and capacity

Most policy stakeholders consulted reported that an appropriate set of skills and expertise were leveraged to support the scheme design phases. The key expertise which was utilised in the design phases of the three schemes comprised:

- British Business Bank and its knowledge of the delivery of the EFG programme, and how changes to the parameters could impact upon take-up, business survivals, etc.
- Lenders and UK Finance, to provide input from the finance industry about what would be feasible for lenders to deliver and to provide feedback on the scheme designs

[37] Centre for Economic Performance (2021) Covid-19 and the self-employed: 18 months into the crisis

- HM Treasury and BEIS to provide input and expertise on what the schemes needed to achieve and further scrutiny of scheme designs
- State aid and legal expertise – to ensure the schemes were compliant with EU State aid rules and UK domestic law.

The involvement of lenders in the scheme design phase was highlighted as a particularly important feature of the process. As the schemes needed to be operational very quickly, they needed to be designed in a way that aligned with existing operational systems and resources of potential lenders.

International comparisons

Most advanced economies also intervened in credit markets to stimulate the supply of lending to businesses that faced cashflow disruption. Policy stakeholders highlighted that due to the fast-paced nature of the development of the schemes (and the fact that many schemes were being developed in parallel), a thorough review of the schemes being put in place in other advanced economies to support businesses was not feasible at the design stage. However, stakeholders highlighted that several international case studies were used, and international contacts drawn on, such as the German and Swiss schemes that were considered in the Request for Ministerial Direction for BBLS, contacts within OECD and embassies that were used to understand developments elsewhere, and international comparisons of take-up among OECD countries tracked by the British Business Bank.

Despite a thorough review not being possible, the UK response involved many features in common with international benchmarks[38] - partly due to the requirements of State aid regulations and the Temporary Framework which dictated many of the parameters of schemes developed by countries subject to EU State aid law:

[38] Details of interventions made by France, Germany, Italy, Japan, Spain, and US were taken as a sample of large economies to compare the UK response to other nations. This was developed by taking published documents describing the schemes, and where possible, academic, or other publications examining features of their design and effectiveness. This section is not intended as a comprehensive review of loan guarantee programmes introduced by other nations, and many other nations also introduced loan guarantee programmes over the period, such as Switzerland and the Netherlands. A broader review of any evaluation evidence emerging will be undertaken at later stages of the study.

- **Delegation:** The UK, Germany, Italy, France, Spain, US, and Japan all developed delegated programmes in which lending decisions were devolved to the commercial banking sector. It is highly unlikely that public sector institutions would have been able to reproduce the extensive knowledge of customers and experience of lending decisions accumulated by banking institutions or rapidly bring sufficient capacity to bear[39].
- **Instrument:** Loan guarantees were the preferred instrument to provide cashflow support during the Covid-19 pandemic. The UK, Germany, Italy, France, and Japan all launched loan guarantee programmes as these were considered a more appropriate instrument than subsidies or participation programmes (purchasing a share of the loan portfolio) at a time when lending was constrained by limited risk appetite amongst lenders (rather than by high funding costs or by balance sheet constraints[40]). The US appears to be an outlier in this respect, with the Main Street Lending programme involving the Federal Reserve purchasing a 95 percent share of loans issued under the scheme.
- **Term length:** The terms of loans were longer than those offered in other economies. The term length associated with BBLS (of up to 10 years with Pay As You Grow) appeared to be at the upper end of the distribution of guaranteed loans offered by advanced economies. For example, the US Main Street Lending Programme required no payments of interest or the principal in the first year (similar to the BIP), with a minimum amortization of the loan of 15 percent, 15 percent, and 70 percent in years 3 to 5 respectively. The maximum term length associated with schemes introduced by countries subject to EU State aid law was six years, in line with State aid rules.
- **Level of the guarantee:** Partial guarantees are often considered critical in preventing incentives for banking institutions to make loans to businesses associated with excess risks (e.g., businesses that would have been unlikely to survive the pandemic). Nevertheless, the UK, Germany, Italy, and Japan all established schemes that guaranteed some lending at 100 percent (e.g., the German KfW Instant Loans scheme).

[39] English and Liang (2020) Designing the Main Street Lending Programme: Challenges and Options
[40] Ibid.

- **Eligibility:** There were both commonalities and differences in the eligibility criteria for guaranteed lending:
  - **Impacts of Covid-19:** While BBLS, CBILS, and CLBILS were targeted at businesses that were affected by the Covid-19 pandemic, only Japan (unconstrained by European State aid rules) developed a quantitative test to ensure that support was directed to affected businesses (businesses were only eligible for support if they had experienced a specified reduction in their revenues relative to the corresponding period in the preceding year).
  - **Additionality:** Only the US retained requirements for businesses to demonstrate that they were unable to obtain loans on normal commercial terms.
  - **Viability:** Most nations required some form of check that the business was viable prior to Covid-19 to limit the risk that guarantees reached businesses that were unviable regardless of the pandemic. Countries subject to EU State aid law schemes required the application of the 'undertaking in difficulty' test under State aid rules.
  - **Certification:** The UK was not unique in removing the usual certification checks (as per BBLS) to accelerate lending decisions, though Italy appeared to be the only other advanced economy to introduce a scheme that was directly analogous to BBLS. For fully guaranteed loans under €25,000, normal checks on eligibility, credit-worthiness, and requests for approval from the Italian Guarantee Fund were removed to increase the speed with which funding was awarded to businesses.

    Analysis of the characteristics of Italian businesses benefitting from fully guaranteed lending indicated that these businesses tended to be associated with more significant financial weaknesses before the pandemic[41] - highlighting the potential costs associated with this type of approach. Additionally, the study also highlighted that support did not necessarily reach sectors most affected by Covid-19 closures.

    It should also be noted that the German KfW Instant Loans programmes also did not involve additional credit checks to enable the loans to be granted quickly (businesses were required to demonstrate that its financial condition was 'in order' before the 31 December 2019).

[41] Core and Marco (2021) Public Guarantees for Small Businesses in Italy during Covid-19.

- **Scale:** The scale of funding for the Covid-19 Loan Guarantee Schemes in the UK was broadly in line with those used in other countries, representing 5.1 percent of GDP. This is higher than some advanced economies (for example Germany at 1.6 percent), but below Spain and Italy (9.9 and 9.4 percent respectively) and France (5.6 percent)[42].
- **Operational constraints:** All European countries reported some operational constraints in delivering their guaranteed loan schemes. All countries were able to overcome these issues, although the issues took longer to resolve in Italy. One of the reasons cited for Italy taking longer to resolve operational issues was that the Italian scheme did not relax legal requirements (such as the requirement to undertake robust credit checks), although there may also have been existing inefficiencies in the banking system which contributed to the delay in resolving operational issues[43].

At the time of writing, there was limited formal evaluation evidence in relation to the effectiveness of these programmes. A more extensive review of the literature will be provided in the final evaluation report.

Lender accreditation, contracting and scheme establishment

The Covid-19 Loan Guarantee Schemes required lenders to become accredited in order to offer guaranteed lending. This aimed to ensure lenders were reputable, financially stable and regulated (where required), had access to capital to provide the schemes, had adequate systems and staffing in place to deliver the schemes, and would follow the scheme requirements. The British Business Bank accredited 117 lenders to deliver CBILS (of which 44 were lenders that were already accredited to the EFG programme), 26 to deliver BBLS, and 27 to deliver CLBILS[44].

[42] Bruegel (2021) Loan guarantees and other national credit-support programmes in the wake of Covid-19, available at: https://www.bruegel.org/publications/datasets/loan-guarantees-and-other-national-credit-support-programmes-in-the-wake-of-covid-19/. Note that the values presented are those from March 2021. Subsequent data is available for European countries, but not the UK.
[43] Bruegel (2021) Covid-19 Credit Support Programmes in Europe’s Five Largest Economies. Available at: https://www.bruegel.org/wp-content/uploads/2021/02/WP-2021-03-Cred-Support-240221-2.pdf
[44] The number of accredited lenders described here should not be summed together to provide the total number of unique lenders across the three schemes. This is because some lenders were accredited multiple times to provide lending through more than one scheme.

Communication with lenders

The British Business Bank needed to engage and communicate with lenders to secure their interest in delivering the Covid-19 Loan Guarantee Schemes. Lenders reported a high level of awareness of the three schemes. Beyond the larger high street banks involved at the design stage, most lenders either became aware as result of coverage of public announcements made by the government, email communication from the British Business Bank, or from communication from UK Finance and other industry bodies.

Lenders were generally complimentary about the information they received about the Covid-19 Loan Guarantee Schemes, reporting that the design of, and eligibility criteria for, each scheme was clear. One issue highlighted by lenders was that public political announcements were made before lenders received full details of the operation of the scheme from the British Business Bank, resulting in customers requesting the products before lenders were in a position to offer them (leading to some reported frustrations) – though this was possibly unavoidable due to the speed of decision making and deployment.

High levels of awareness of the Covid-19 Loan Guarantee Schemes are highlighted by the number of enquiries received from lenders wanting to become accredited lenders. The British Business Bank received enquiries from over 300 lenders expressing an interest in becoming an accredited lender for CBILS[45]. Fewer lenders expressed an interest in delivering BBLS and CLBILS, with just over 60 and 50 lenders submitting enquiries about the schemes respectively. Lower numbers of enquiries were driven by specific features of the design of the schemes rather than issues of awareness:

- **CLBILS:** Lenders often did not have the customer base to support CLBILS, reporting that they had few or no customers with a turnover of more than £45m. CLBILS also required larger lending facilities to be extended than some lenders were familiar or comfortable with. Many lenders that were accredited for CBILS or BBLS were also ineligible for CLBILS (for example due to the size of their existing portfolio) and therefore did not apply.
- **BBLS:** The principal issue constraining lender applications for accreditation to BBLS was the interest rate associated with the loans (capped at 2.5 percent). Many lenders (particularly

[45] This includes 45 lenders which transferred from the EFG programme to be accredited lenders for the CBILS scheme.

non-bank lenders) could only access funding from wholesale markets at a broadly similar rate because they were not eligible for the Bank of England's Term Funding Scheme with Additional Incentives for SMEs programme that allowed financial institutions to access funding at close to the Bank Rate[46] if they increased their lending to SMEs. This implied that participation in the scheme would be loss-making. Some lenders also raised concerns about the design of BBLS. While the 100 percent guarantee would protect them in the event of default or fraud, some lenders (particularly social lenders) raised the possibility of reputational impacts of fraudulent transactions or highlighted that the scheme did not align with their objectives of providing responsible finance.

Accreditation process

The process adopted by the British Business Bank to accredit lenders to the Covid-19 Loan Guarantee Schemes was a streamlined version of the process to accredit lenders for the EFG programme. For CBILS and CLBILS lenders who were new to the British Business Bank, this involved a two-stage process in which lenders were invited to submit an Expression of Interest (EOI) explaining how they met the eligibility criteria outlined in the Request for Proposals. If this stage was passed, lenders were invited to submit a Formal Proposal providing additional detail about the organisation and its latest accounts, its corporate/business strategy, processes in place for debt collection and recovery, anti-fraud procedures, capability of the team to deliver the scheme, training, corporate governance, and the proposed lending strategy. There was no EOI stage for BBLS. Lenders that confirmed they had read the Request for Proposals and agreed to the parameters of the scheme were asked to complete a New Lender Application Form (covering similar ground to Formal Proposals for CBILS and CLBILS).

Consultees indicated that the EFG accreditation process lasted for months, largely driven by the due diligence process in which each statement made by the prospective lender was validated by the British Business Bank. In light of the need to respond quickly to the Covid-19 pandemic, various steps were taken to accelerate the process. Lenders that were already accredited to provide guaranteed lending through the EFG programme were offered the opportunity to participate in CBILS without further accreditation[47]. A risk-based approach to due

[46] Reduced to 0.1 percent on 19 March 2020.
[47] The EFG lenders were only required to sign a letter which amended the terms of the EFG legal agreement and confirmed the lender would comply with the CBILS rules.

diligence was adopted, focussing on a variety of sources of information, and professional judgement was applied in interpreting the information available. Lenders that were already accredited for CBILS were also asked to provide a reduced set of information in their application for BBLS. The British Business Bank also recruited or transferred additional staff to address the volume of applications received.

As illustrated in Table 2, the British Business Bank received a total of 369 EOIs to deliver the Covid-19 Loan Guarantee Schemes and 124 lenders were ultimately approved (excluding lenders whose EFG accreditation was transferred to CBILS). While 42 applicants to deliver CBILS were formally declined, 198 EOIs or applications did not proceed to the next stage. This pattern arose because prospective lenders would be informed as early as possible where the initial information provided indicated they would not be eligible (to ensure the lender and British Business Bank staff did not expend resources on applications that would not be successful). Data on the reasons for declined applications was not suitable for analysis.

The British Business Bank accredited a broad variety of different types of lenders to deliver CBILS. Twenty of the 73 new lenders accredited were Prudential Regulatory Authority regulated banks, with the remainder a broad mix of other banks and alternative finance providers. For the reasons described above, lenders accredited to deliver BBLS were less diverse, and 17 of the 26 lenders were PRA regulated banks. Twenty-four of the 27 CLBILS lenders were also banking institutions.

Table 2: Outcomes of the accreditation process[48]

	BBLS	New CBILS lenders	CLBILS	Total *
EOIs received	61	256	52	369
Did not proceed	35	137	25	198
Declined	0	42	1	42
Approved	**26**	**73**	**27**	**126**

Source: British Business Bank Monitoring Information. Figures for CBILS do not include lenders already accredited to deliver the Enterprise Finance Guarantee. * Note that some lenders expressed interest in and/or were accredited to multiple schemes.

The accreditation process was considered largely straightforward and proportionate, though given the number of applications, it did take some time to accredit new lenders to deliver the schemes:

- **EFG accredited lenders:** Lenders that were already accredited to provide lending under EFG were grandfathered over to CBILS with limited additional information being requested. These lenders did have to complete a pricing matrix[49] if they requested an increase to their lending allocation post-launch to illustrate how they were passing on the benefit of the guarantee to the borrower across their suite of relevant products. The use of EFG accredited lenders was critical in enabling the rapid launch of CBILS.

- **Completion of EOIs and Formal Proposals:** Most lenders considered the accreditation process to be relatively straightforward, that the information requested was appropriate, and proportionate to the scale of lending envisaged. British Business Bank staff also considered that the information being requested was appropriate to inform a decision about whether the lender had the capacity to be an accredited lender.

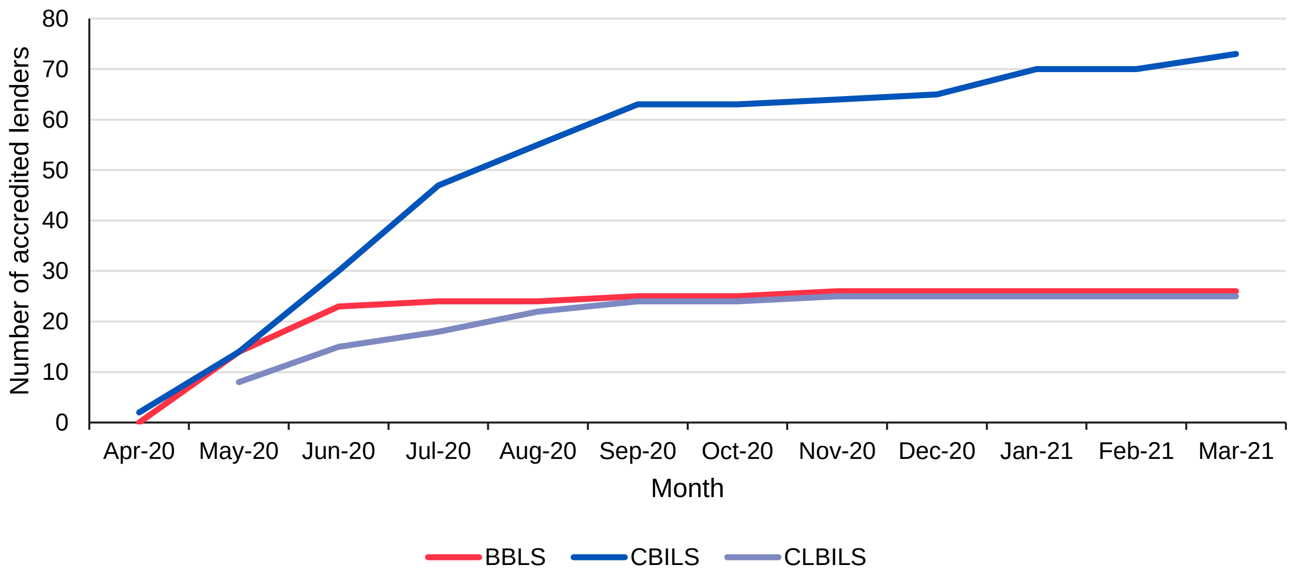
[48] Some lenders were accredited by brand, and others were accredited by the parent group (with brands owned by the group able to provide lending for the scheme in question).
[49] Pricing matrix refers to a document that lenders had to complete which described the conditions (interest rates) they would offer their customers through the schemes, and how they were passing the benefit of the lending guarantee on to the customer.

- However, non-bank lenders reported that the process appeared to be tailored to traditional banks. While this was considered logical given the relative volume of bank and non-bank lending expected, the following difficulties were highlighted:
  - **Pricing matrix for CBILS:** Non-bank lenders reported that it was challenging to complete the pricing matrix demonstrating they were passing on the benefit of the guarantee. This was due to their approach of pricing on a business-by-business basis rather than offering a suite of products. Many lenders reported it took many iterations to agree the pricing matrix with the British Business Bank, delaying their ability to offer the product.
  - **Demonstrating that 30 percent of capital was institutional investment capital:** The Covid-19 Loan Guarantee Schemes required that a minimum of 30 percent of the capital used to support lending originated from institutional investors (private capital), to ensure that the risks associated with lending were shared between the public and private sectors. Some alternative lenders reported that much of their capital came from external public sources (such as government grants). This caused an issue for some lenders, who reported that they had to source additional internal finance to participate in the scheme. One lender reported it would have been helpful if British Business Bank could have provided some assistance with sourcing this additional capital (though in practice it is unlikely that the British Business Bank could have performed such a function).
- **Speed of accreditation:** As illustrated in Figure 6, the speed of the accreditation process was highly variable (particularly for CBILS and CLBILS, where several lenders were not accredited to the schemes until they were extended in September 2020). According to British Business Bank monitoring information, the average number of days to completion was 66 days – though this varied from 56 days for PRA regulated banks, to over 90 days for specialist capital providers, and almost 130 days for venture debt lenders.

  This was partly attributed to the ‘iterative’ nature of the application process, with the British Business Bank querying information received from lenders, asking for more detailed information to be provided and working with the lender to ensure all required information was available to inform a decision. This process was reported to absorb time – with lenders taking time to revise or access new information and resubmit this to the British Business Bank (and examples were given of this taking weeks on occasions), while lenders reported that they could submit a response and then not hear back for over a week. The British Business Bank suggested this was due to the resources required to assess their proposals, the number of applications received, the lender's ability to deploy funds at scale and in some cases, the complexity of the prospective lender's operations.

While a complete data set on the speed of accreditation for individual providers was not available, alternative lenders with more complex financial arrangements tended to report that the process took longer. This was partly attributed to the challenges highlighted above and requirement for a bespoke side letter (as described further in the following section). This had the outcome of larger traditional lenders achieving accreditation first. As these lenders had greater capacity, this supported the objectives of unlocking finance rapidly, though meant that alternative finance providers were only able to enter the market after demand for credit had peaked. This may have contributed to an increase in concentration of lending amongst large banks and may have led to adverse outcomes for some lenders (one example was given of a CBILS provider that struggled to attract equity funding as a result of its late entry) – though reducing the risk that accredited lenders could not meet demand for credit in the short term.

Figure 6: Number of new lenders accredited, April 2020 to March 2021



Source: British Business Bank Monitoring Information. Figures for CBILS do not include lenders already accredited to deliver the Enterprise Finance Guarantee.

Contracting

Lender agreements were largely based on the EFG lender agreements. In general, bank lenders did not report any significant issues with the process of agreeing and signing the legal documentation between the lender and guarantor. Lenders that had a business model that did not fit the CBILS standard legal agreement required a bespoke side letter. This was reportedly a key factor in extending accreditation timelines for non-bank lenders. Stakeholders also flagged issues in relation to the assignment of the guarantee when the lender was funded from external sources – as this was prohibited under the standard agreement, bespoke solutions needed to be found.

The main reported issue in relation to the terms and conditions for the Covid-19 Loan Guarantee Schemes related to the clauses around making best efforts to recover loans. This required providers to follow Business-As-Usual (BAU) procedures in debt recovery, which created some openness to interpretation for lenders and the potential for variation in levels of effort applied to recover funds. At the same time, the legal agreement involved some elements of prescription (such as requiring lenders to contact the borrower before payments were due), which could deviate from what some lenders may have considered business as usual processes. Issues in relation to debt recovery will be considered in detail as part of the final evaluation.

Changes to the original legal agreement and accompanying lending allocation letters and side letters were considered by officials and lenders as creating more significant challenges. The lending allocation letter included estimates of how much lending they would provide through the scheme. However, demand was greater than most anticipated and the schemes' end dates were extended. This meant that lenders needed to increase the value of their portfolio beyond the limit specified in the lending allocation letter (on more than one occasion in some cases) which was subject to further approvals. Increased lending limits sometimes triggered a change in funding arrangements (resulting in amendments to the side letter or a requirement to have a side letter) and were subject to a further approval process and reportedly could take several weeks to agree, creating some difficulties for lenders that were both reluctant to turn customers away and to breach their agreed lending limits.

Robustness of the accreditation and contracting process

As highlighted above, the accreditation and contracting process aimed to ensure that lenders were financially robust, adopted appropriate processes in making lending decisions, and committed sufficient resources to fraud detection and debt recovery. No stakeholders consulted raised any significant concerns regarding the streamlined (relative to EFG) approach adopted for the accreditation of lenders (with a post-accreditation audit process applied to confirm that lenders were operating within the rules of the scheme, as covered below).

The British Business Bank reduced the allocation of one lender to zero and launched an investigation into their lending under the scheme, due to concerns that the lender had exceeded its lending limits. A National Audit Office inquiry[50] into the accreditation of the lender concluded that the British Business Bank's post-accreditation monitoring process was effective (though greater levels of due diligence at the application stage could have helped avoid the situation).

However, as highlighted in the introduction to this section, reporting on the outcomes of the post-accreditation audit process was not available in time for the research conducted as part of this phase of the evaluation. The planned report (from a rolling external audit of lenders by three contractors on behalf of the British Business Bank) will detail the outcomes from the post-accreditation audits that are designed to provide assurance to the British Business Bank that participating delivery partners are correctly and effectively administering the schemes in line with the legal agreements. Evidence from this report will be included in subsequent phases of the evaluation.

Training

One of the conditions of participation in the schemes was that lenders had to provide training to their staff. This training was around the aims and objectives of the schemes involved, the eligibility criteria, State aid rules and the 'undertaking in difficulty' test[51], and data sharing

[50] National Audit Office (2021) Investigation into the British Business Bank's accreditation of Greensill

[51] The Undertaking In Difficulty test is part of the General Block Exemption Rules that aims to prohibit the provision of aid to unviable companies (for example if more than half of an SMEs subscribed share capital has disappeared as a result of accumulated losses). The test was relaxed as part of the Temporary State Aid Framework in June 2020 owing to concerns that those not meeting the requirements of the test in December 2019 were excluded from support.

arrangements between the lender and the British Business Bank. Guidance and training materials provided by the British Business Bank came in two main forms: the documentation (lender manuals, FAQ documents, lender guidance and the legal agreement and related documents) and training materials (around State aid compliance and the ‘undertaking in difficulty’ test).

The quality and usefulness of the documentation was reported by lenders to be high, and that there were no areas where there were significant gaps in information. Lenders indicated that they used the materials provided by the British Business Bank to develop their own training materials by combining this with their own internal systems and processes to deliver training to the teams which would be delivering the schemes. However, they reported that they did not have to go looking for alternative materials, and that those provided by British Business Bank were sufficient to develop their own training materials.

Lenders which delivered the CLBILS scheme reported not being provided with a lender manual for the scheme and were instead advised to use the lender manual for the CBILS scheme. The two schemes were similar in some respects, though lenders reported that it would have been useful to receive a CLBILS lender manual owing to some of the key differences in the legal agreement (such as restrictions on cash bonuses to senior management and payments on dividends until the facility is repaid in full).

Establishment of the lending application process

The British Business Bank did not prescribe lending processes adopted in the delivery of CBILS and CLBILS. As such, most CBILS and CLBILS lenders reported that the lending application process followed a similar approach and required similar information to BAU lending processes. This involved conversations between the business and their relationship manager, where forms were either completed by the relationship manager or sent to the business to complete after the call. Once the documents were completed and provided, these would be sent on to the risk or credit assessment team.

The main differences reported between a CBILS and CLBILS application and BAU processes were around the additional, scheme specific information that the lender required (with some variation in specifics across lenders):

- Self-certifications (e.g., that the business was not an ‘undertaking in difficulty’).
- A description or self-certification of how Covid-19 had affected the business (which might include quantitative cashflow information and a description of the relevant impacts).
- The removal of requirements for Personal Guarantees for loans of £250,000 or less also deviated from BAU.
- The assessment of the viability of businesses required lenders to consider whether they would be willing to lend to the business had there not been a pandemic. Lenders ultimately examined the bank statements, cash flow and turnover of businesses in the pre-pandemic period to make this test, although adjusting to the aims of the schemes reportedly slowed approval decisions in the early days of CBILS.

Most bank lenders described having to amend existing loan application forms to make sure they collected the additional information and complied with the CBILS and CLBILS lender agreement, but this was a relatively straightforward task. However, alternative lenders often had to establish new processes to interact with customers to provide CBILS.

The process and information being collected as part of the BBLS application process was clearly markedly different to BAU processes. All lenders reported that the process became fully automated for the customer (though some lenders struggled to have this up and running for the launch date of the scheme), with the customer having to complete an online application form or download and complete an application form and email this back to the lender. Lenders that already had an automated approach to assessing loan applications were able to make slight changes to these processes (for example removing the requirements to fully assess the business). However, those that did not have automated loan approval processes needed to set these up from scratch, which was resource intensive, and in some cases delayed the date at which the lender could start lending under the scheme (though this did carry the benefit of being able to establish the relevant systems from scratch, rather than removing credit scoring components from existing algorithms).

Lending to businesses

The three schemes resulted in £78bn in guaranteed lending facilities offered to 1.7m businesses by the end of March 2021, of which £77bn was drawn down.

Communications to businesses

At launch the British Business Bank produced marketing toolkits for accredited lenders, which included tools such as videos, infographics, and eligibility checkers to help explain the schemes, and social media tiles. These toolkits supported the lenders with their positioning and messaging and awareness raising for the schemes. A similar intermediary marketing toolkit was also produced. These toolkits were produced and distributed to ensure consistency and also enable those that SMEs would go to for advice and guidance to feel empowered to help.

The SME Finance Monitor provided data on awareness among businesses of the CBILS and BBLS schemes. This showed that in Q2 of 2020, 65 percent of businesses were aware of BBLS, and 75 percent were aware of CBILS, and by Q4 2020 this had risen to 85 percent for BBLS and 83 percent for CBILS – showing the majority of businesses were aware of the schemes[52]. Some large lenders consulted indicated that they had no need to market the scheme owing to widespread awareness achieved by public announcements made by politicians. This was supported by depth interviews with businesses, which suggested that the news media was a key factor in raising awareness of the schemes across almost all businesses (regardless of whether they made loan applications).

However, many businesses also indicated that they were alerted to the scheme by their accountants or in some cases by direct email or telephone marketing by businesses (including organisations offering to facilitate the application process). The British Business Bank were conscious that while awareness was high, potential borrowers may have lacked basic information regarding the criteria and how to apply. In an effort to address this, the British Business Bank launched a communications campaign – including updating its website and social media channels as new lenders became accredited, ensuring that lenders' websites were consistent with British Business Bank messaging, paid advertising via Google, radio, and

[52] BVA BDRC (2021) SME Finance Monitor Q4 2020, available at: https://www.bva-bdrc.com/wp-content/uploads/2021/03/BVABDRC_SME_FM_Q4_2020.pdf

newspapers to drive traffic to the British Business Bank website, and monitoring the activities of organisations that the British Business Bank were aware of as promoting themselves as intermediaries.

Depth interviews with businesses suggested that they largely consulted government websites for further details of the schemes. Feedback was largely positive regarding the level of detail and clarity of information provided and did not highlight any specific areas for possible improvement. However, some lenders did indicate that customers' expectations did require some management as public announcements regarding the schemes (particularly in the initial stages) may have inflated expectations regarding the generosity of the scheme (e.g., requirements for personal guarantees at launch were not always expected by potential borrowers).

Applications and approvals

British Business Bank monitoring data indicates that lenders received 1.9m applications for guaranteed loans between April 2020 and March 2021[53]. A total of 1.7m lending facilities were approved, with a total value of £78bn.

This highlights that the scheme achieved substantial penetration of the UK economy, with the ONS Business Impact of Coronavirus Survey suggesting that 32 percent of businesses received government backed loans by the end of March 2021[54]. Most lending facilities were approved before social distancing restrictions started to significantly ease following the first national lockdown, indicating that the schemes were successful in rapidly providing finance to businesses at scale (Figure 7).

Within BBLS, a large volume and value of lending was provided rapidly after the scheme launch. In the first week of BBLS, (from 4 May 2020):

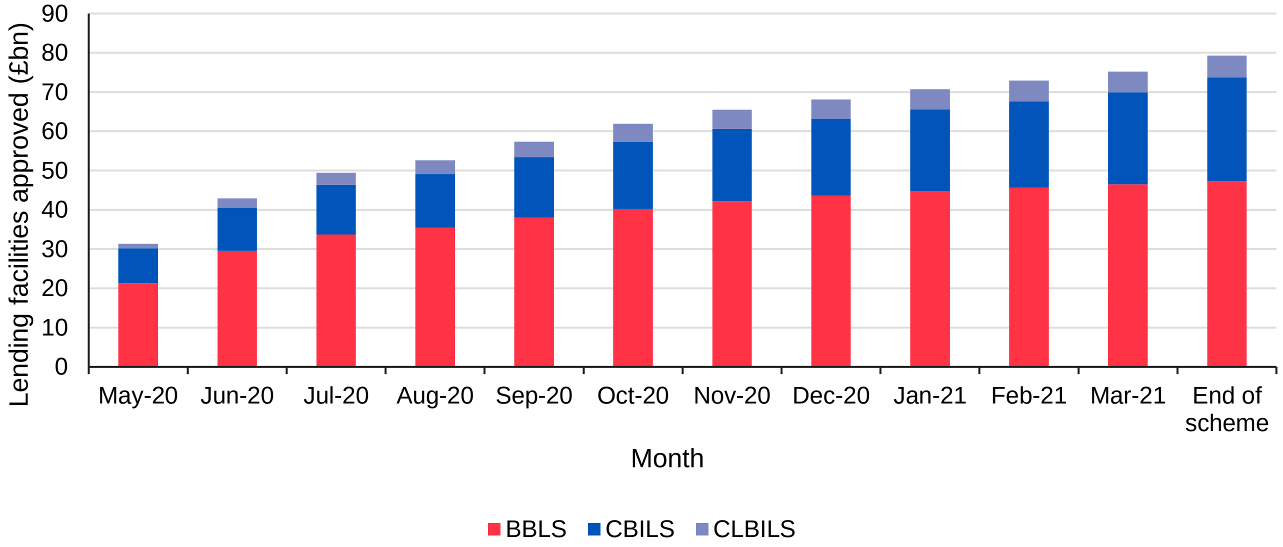
- Around 270,000 facilities were approved, compared to around 36,000 which had been approved up until that point for the CBILS and CLBILS schemes; and

[53] This only includes applications made to large banks that were not using the British Business Bank portal to submit monitoring data. Individual businesses may have made more than one application to the same or separate schemes.
[54] ONS (2021) Business Impact of Coronavirus Survey, Wave 27

- £8.4 billion of lending was approved – which was £1.5 billion greater than all CBILS and CLBILS lending up until that point.

This shows that BBLS achieved its aim of increasing the ease and pace at which businesses could access support in comparison to CBILS and CLBILS.

Figure 7: Value of loan facilities approved, May 2020 to March 2021



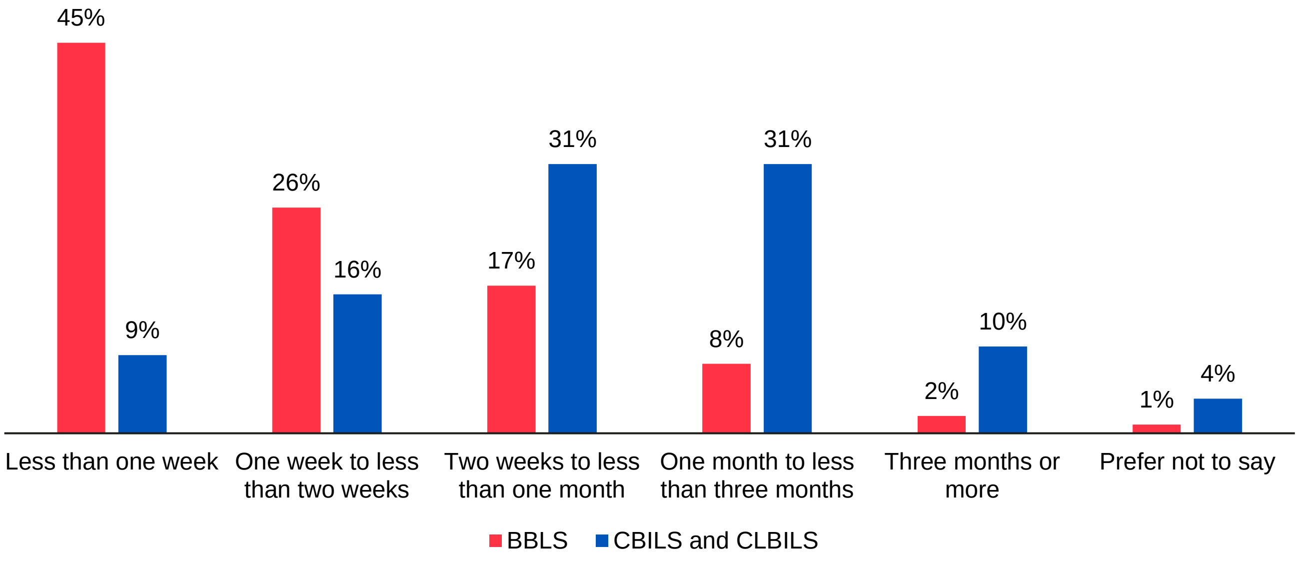
Source: HM Treasury (2021) HM Treasury coronavirus (Covid-19) business loan scheme statistics

Speed of lending decisions

As highlighted above, the design of CBILS was amended owing to concerns regarding the length of time taken for businesses to receive funding. While only incomplete monitoring information is available for April 2020, large application volumes created several challenges for lenders, particularly following the introduction of CBILS (as banks were also adjusting to the closure of physical premises and remote working). Larger lenders highlighted a need to adopt a credit scoring approach to streamline existing systems based on manual underwriting, which meant accepting some additional risks to cope with levels of demand. The introduction of BBLS reportedly eased pressure on the system, as greater levels of automation could be applied (as highlighted above).

Evidence from the survey of businesses indicated that the introduction of BBLS also met its objective to accelerate lending decisions (Figure 8). While the majority of CBILS/CLBILS borrowers reported their loan facilities were obtained within two to four weeks, the majority of BBLS borrowers obtained their loan facility within two weeks. It should be noted that this data is self-reported (as data on the timings associated with individual loan applications was not available from monitoring information) and could be subject to imperfect recall.

Figure 8: Time taken to obtain guaranteed loans, BBLS and CBILS/CLBILS borrowers



Base: All BBLS borrowers (587) and CBILS/CLBILS borrowers (390). Source: London Economics' and Ipsos MORI's analysis of survey data

Success rates

Monitoring data provided by larger lenders to the British Business Bank provided details of the number of applications and approved loan facilities. Based on this data, 63 percent of applications to CBILS and CLBILS were approved, rising to 76 percent of BBLS. These approval rates include withdrawn and ineligible applications, so will understate the approval rate (if defined as the inverse of the rejection rate). The SME Finance Monitor presents data which indicates that 88 percent of businesses applying for finance during the period when the schemes were operating were successful in their application – however this includes all commercial lending and not just the Covid-19 loan schemes. When the data was restricted to lending through the loan schemes, the success rate rose to 91 percent.[55]

This pattern could be expected given the use of self-certification and proscription of some BAU checks associated with BBLS. Lenders also highlighted that removal of checks on creditworthiness could lead to loans being approved to businesses that would have otherwise been declined prior to Covid-19 (such as where they had a history of non-payment with the lender). This aspect of BBLS may have led to some funds being directed to businesses that may not have been considered 'viable,' which would align with analysis of the financial health of borrowers of the similar Italian loan guarantee programme described above.

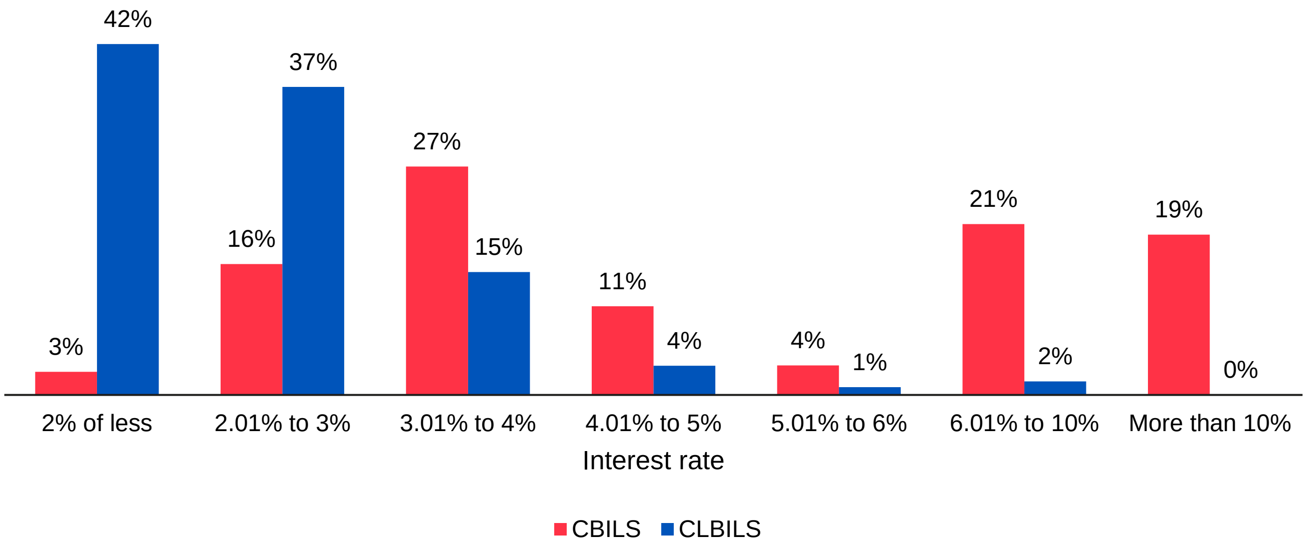
Interest rates

Interest rates offered are presented in Figure 9. Lenders were permitted to vary interest rates for CBILS and CLBILS – subject to the 14.99 percent interest rate cap and the pricing matrix. There were differences in the interest rates charged by lenders in the CBILS and CLBILS schemes. For CLBILS, most loans had an interest rate of below three percent (79 percent of loans), whereas for CBILS only a minority of loans were made at that rate (19 percent). All loans offered via BBLS were in line with the interest rate of 2.5 percent set by the scheme parameters.

This is a suggestive of a significant risk premium for many CBILS loans, likely reflecting the smaller size and higher default risk of borrowers relative to CLBILS borrowers. This also implies a potentially significant subsidy on BBLS loans given the likely higher level of default risk.

[55] BDVA (2021) SME Finance Monitor. Accessed at: https://www.bva-bdrc.com/wp-content/uploads/2022/01/SME-Monthly-charts-Oct-v1.pdf

Figure 9: Interest rates offered, CBILS and CLBILS



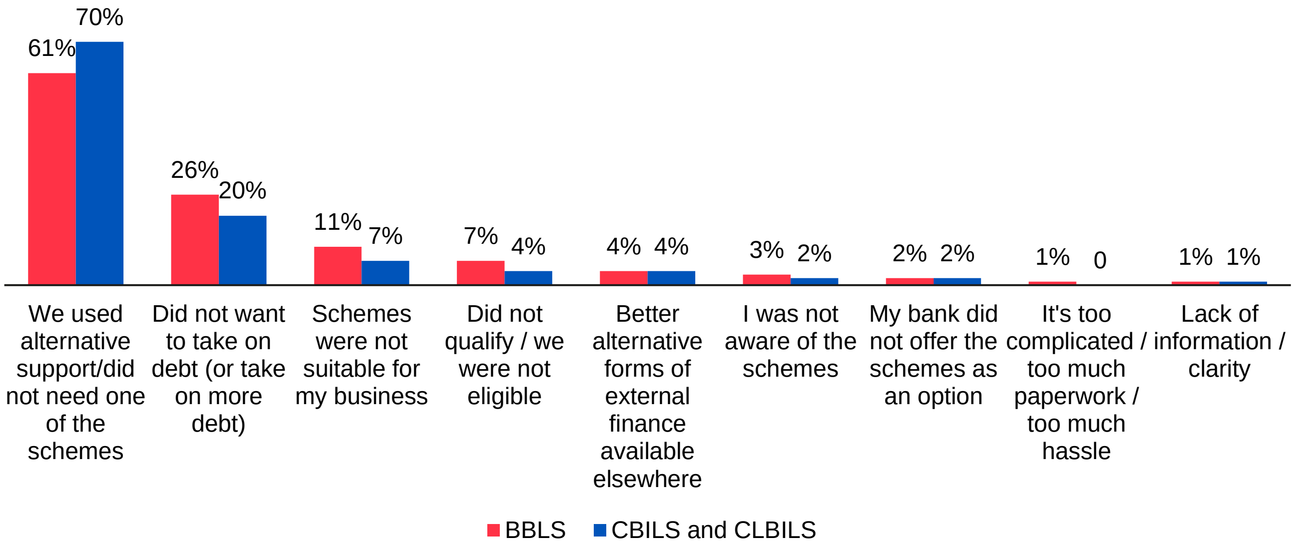
Source: British Business Bank Management Information. BBLS loans were offered at a flat rate of 2.5 percent per annum

Accessibility

Some aspects of the implementation of the Covid-19 Loan Guarantee Schemes had scope to result in differential rates of accessibility across businesses. Firstly, it was widely reported that demand levels led many large banks to close to new customers (preventing new customers from opening business accounts with the bank and therefore not being able to access the schemes through the bank), potentially disadvantaging potential loan applicants that did not have current accounts or other relationships with approved lenders. Additionally, the Covid-19 pandemic also required that the loan applications moved to an online process in many cases (again, potentially excluding businesses without sufficiently strong digital capabilities).

However, evidence from the survey did not highlight any systematic issues with differential access to the Covid-19 Loan Guarantee Schemes. Non-borrowers of loans were asked to report why they did not apply for a government backed loan. Most non-borrowers indicated that they either did not need loan funding or did not want to take on (more) debt. Only a very small share of non-borrowers reported that they were unaware of the schemes, or their financial institutions did not offer the scheme, indicating that obstacles to accessing the schemes were limited (Figure 10). This pattern was mirrored in the depth interviews.

Figure 10: Reasons for not applying for a BBLS or CBILS/CLBILS loans among comparable non-borrowers



Base: BBLS non-borrowers (881) and CBILS/CLBILS non-borrowers (628). Source: London Economics' and Ipsos MORI's analysis of survey data

It should be noted that the analysis above is based on the distribution of facilities approved[56]. No monitoring data was available on applicants that were declined for funding, so it is not possible to assess the degree to which there may have been any systematic biases in the approval process itself that led to inequities of access to the Covid-19 Loan Guarantee Schemes (though no evidence collected through the evaluation highlighted the possible presence of such biases).

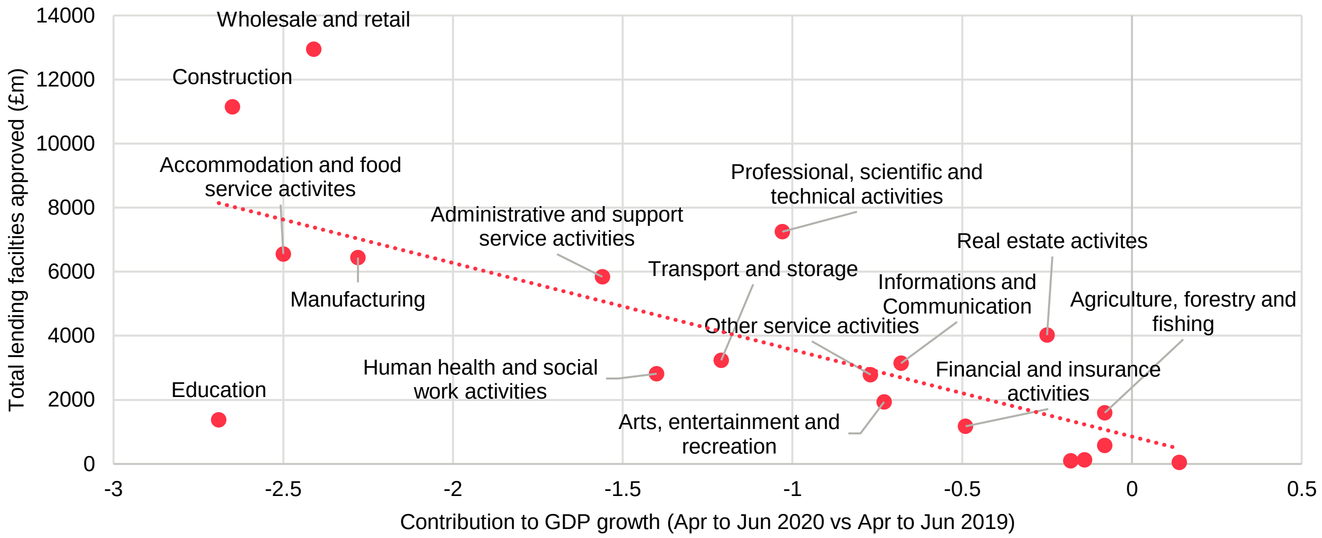
Characteristics of businesses obtaining guaranteed lending

There was a reasonable correlation between the size of the economic shock caused by the first lockdown and the level of guaranteed lending provided to the sector (despite the absence of sector targeting) (Figure 11). The two sectors benefitting from the largest volumes of lending (wholesale and retail, and construction) were amongst the biggest contributors to the overall contraction in GDP between April and June 2020 (on a year-on-year basis)[57]. There were,

[56] The comparator group of non-borrowers has been weighted to match the profile of loan recipients, and is therefore based on the profile of facilities approved.
[57] Note that ONS developed methods for accounting for reduced productivity in the education sector stemming from school closures, explaining the large reduction in output in this sector.

however, some sectors that benefitted from large volumes of lending that were more modestly affected by the Covid-19 pandemic (the professional services sector in particular). The proportion of lending by each region and devolved nation of the UK through BBLS and CBILS was largely in line with the distribution of businesses across the UK. The proportion of facilities offered was within two percentage points of the proportion of businesses located in the region or devolved nation for all regions and devolved nations in the UK[58].

Figure 11: Distribution of lending facilities approved and output growth between April and June 2019 and 2020, by industrial sector[59]



Source: British Business Bank Monitoring Information and ONS (2021) Contributions to Monthly GDP

Details of businesses responding to the survey were linked to the FAME data platform (which structures published account filings with Companies House) to explore the financial resilience of borrowers[60]. Borrowers were generally profitable (70 to 74 percent) in the year preceding the

[58] https://www.british-business-bank.co.uk/press-release/regional-analysis-of-coronavirus-loan-schemes-shows-continued-even-distribution-across-the-uk/

[59] The four unlabelled industrial sectors are: Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply, sewerage, waste management and remediation activities; and Public administration and defence, compulsory social security.

[60] This was only possible where it was possible to obtain a Companies House Reference number for the business which was captured through monitoring information. Additionally, these figures do not capture the resilience of unregistered businesses that are not required to file accounts. Finally, the businesses properly reporting to Companies House and the FAME database will be heavily skewed to larger and more established businesses compared to the overall population of borrowers. This should be considered when interpreting these findings.

pandemic. 80 to 90 percent held current assets that exceeded their short-term liabilities (i.e., obligations that needed to be met within one year), suggesting that only a minority were facing issues with liquidity prior to the pandemic. However, around 60 percent of borrowers did not have sufficient reserves to cover at least 3 months of operating expenditure (where this was reported in account filings)[61], and, across the SME population, around half of SMEs had less than one months' worth of sales as cash in the bank[62].

The survey of businesses benefitting from guaranteed lending indicated that almost all borrowers of government backed loans experienced financial or operational challenges (97 and 98 percent of BBLS and CBILS borrowers respectively). Most respondents (73 to 75 percent) also described these as 'major challenges,' though depth interviews indicated that this masks a wide variety of underlying issues.

Very few escaped the initial impacts of the Covid-19 outbreak although the severity of these impacts depended on the degree to which they were exposed to social distancing restrictions (i.e., whether the business was forced to close or supplied industries that were forced to close – such as businesses building props and sets for television and film productions). Around half of the sample reported significant impacts on turnover (i.e., falling to zero or to 10 percent of normal volumes), while the remainder reported either less significant reductions in turnover or other inefficiencies (such as problems with distribution networks) or increased costs (particularly driven by remote working practices). Depth interviews highlighted system wide issues that had been caused by the pandemic, with several businesses highlighting that their customers were unable to pay invoices.

Many businesses reacted to these challenges by instigating redundancies or furloughing staff. However, this did not eliminate cashflow issues owing to the non-wage costs faced by the business. A minority of businesses reported that the outbreak had a positive impact on business performance or forced positive changes to their business operation / model.

[61] Amongst those reporting operating expenditure in their annual accounts – only 14 percent of respondents.
[62] BVA BDRC (2020) SME Finance Monitor Q4 2019, available at: https://www.bva-bdrc.com/wp-content/uploads/2020/03/BVABDRC_SME_Finance_Monitor_Q4_2019_FINAL.pdf

Use of loan proceeds

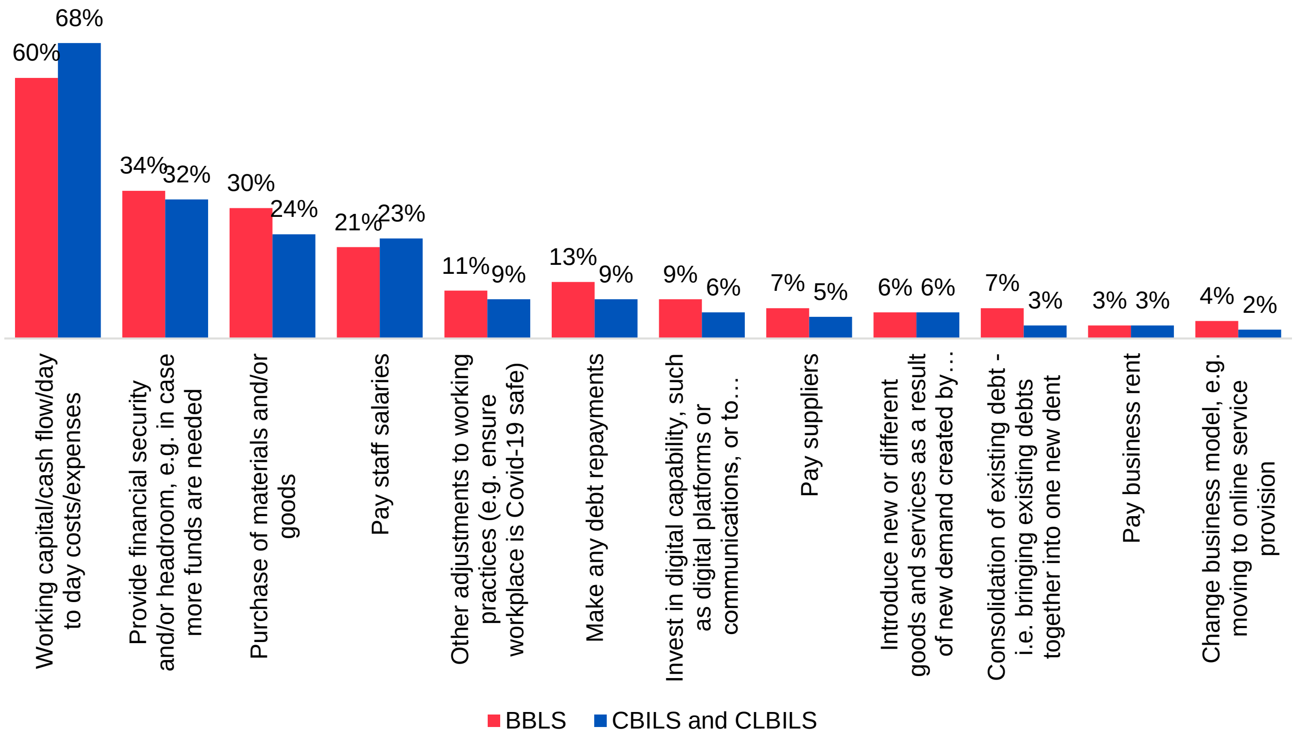
Most lending facilities offered through the scheme were taken up (98 to 99 percent). There were small variations in take-up across different product types, with take-up for asset and invoice finance slightly lower at 93 to 94 percent. Asset finance lenders described this pattern as being usual in their industry as businesses are less likely to take-up asset finance facilities than term loans (for example due to the terms offered or no longer needing the asset they applied for). Global supply constraints also caused delays in delivery (which led the British Business Bank to extend the CBILS drawdown period for asset finance).

The use of loan proceeds was restricted to supporting trading activities in the UK. The use of loan proceeds was explored in the survey of businesses benefitting from guaranteed lending, and indicated (with similar patterns across BBLS and CBILS/CLBILS borrowers) that[63]:

- Most businesses used the funding to cover operational expenses, pay suppliers, or pay wages (‘working capital’).
- Around a third of businesses used the funding to provide financial security and resources that could be deployed if needed.
- Only a minority used the loan proceeds to make adaptive investments to alter their business model or adjust working practices to respond to the Covid-19 pandemic (around 10 percent of respondents in each case).
- Use of the loan proceeds to consolidate existing debts was rarely reported (though this was constrained to some degree by the scheme rules, in which refinancing of existing loans was limited to 20 percent of the portfolio[64]).

[63] Noting that this information is self-reported and has not been independently validated.
[64] Though this would not prevent businesses refinancing loans or credit taken with other lenders.

Figure 12: Use of loan proceeds, BBLS and CBILS/CLBILS borrowers



Base: All BBLS borrowers (588) and CBILS/CLBILS borrowers (390). Source: London Economics' and Ipsos MORI's analysis of survey data

The depth interviews with businesses revealed similar patterns, highlighting the following main motivations for seeking guaranteed lending:

- **Necessity:** The first group reported that accessing short term credit was a necessity to keep the business going (accounting for just over half of the sample) by meeting non-wage costs or in some cases, meeting wage costs. This group of businesses were most acutely affected by the Covid-19 pandemic and typically saw their turnover fall to zero during the first and later lockdowns or at least reduce significantly.

- **Insurance:** A smaller group of businesses sought loan funding as an 'insurance policy' to boost reserves. An example was given of a construction business that experienced delayed payments owing to the cashflow problems of their customers, with loan funding providing a 'safety net' to help manage their own cashflow. Another business providing on site risk assessments reported using the loan to provide a buffer against uncertainty (highlighting on-site visits carried a transmission risk and a potential threat of lost or delayed income due to a need to self-isolate).

- **Cost of borrowing:** Finally, a small group of businesses were attracted by the low cost of borrowing enabled by the Covid-19 Loan Guarantee Schemes (BBLS applicants). In these cases, the respondents reported that they used the loan to repay existing business loans and credit card debts and lower outgoings.

These patterns are consistent with the findings of the early impact evaluation, which indicate that up to one third of businesses benefitting from guaranteed lending could have failed to survive in the absence of the Covid-19 Loan Guarantee Schemes[65]. This pattern was broadly reflected in depth interviews - around six of 30 loan borrowers reported directly that their business would have failed otherwise, with the remainder principally suggesting that the main effect of access to finance was to raise confidence in the future (which may have had important macroeconomic effects).

This suggests that while the schemes may have had a significant protective effect, guarantees were also extended to businesses that did not require credit to secure their survival. This is also reflected in estimates of the additionality of lending presented in the impact evaluation. Although estimated additionality was high relative to pre-COVID loan guarantee schemes, a material share of borrowers (38 to 45 percent of BBLS and CBILS/CLBILS borrowers) indicated that they would not have sought external funding in the absence of the scheme[66]. This subset of the additional lending is likely to have reached businesses in less need than those reporting they would have otherwise been rejected, obtained funding at a smaller level than needed, or not as rapidly.

This provides indications that the removal of targeting measures (such as the requirement for CBILS borrowers to demonstrate they could not obtain credit on normal commercial terms) has led to the public sector assuming default risks of lending to a large number of businesses that may not have needed support to survive the pandemic - as predicted in the Request for

[65] Note that this is based on a self-reported counterfactual driven by borrowers' perceptions of the likelihood of failure and may not have fully accounted for other factors driving low insolvency rates in the economy over the period, such as easements to insolvency regulations.
[66] A percentage of these borrowers may be discouraged borrowers – good borrowers who may not apply for a loan to a bank because they feel they will be rejected. See Brown et al. (2022) Innovation and borrower discouragement in SMEs

Ministerial Direction. The trade-offs involved will be explored in the economic evaluation of the Covid-19 Loan Guarantee Schemes. It should also be noted that this will potentially have positive effects on default rates in the longer term[67] - and scheme repayment data indicates that £4.8bn of loans had been repaid in full (including more than 10 percent of CBILS and CLBILS loans[68]) by the end of September 2021[69].

Finally, the depth interviews explored the importance of the speed of loan approvals. At the time the BBLS was being designed, policy makers received information suggesting many borrowers faced significant financial distress, having been closed or facing severely reduced demand for around six weeks since the introduction of the first lockdown (for example, around half of SMEs had less than one months' worth of sales as cash in the bank). This information suggested that a reduction from the five weeks typically required to approve CBILS loans (and the likelihood of considerably longer approval times given the volumes of loan applications anticipated) would be required and would produce meaningful benefits for these borrowers.

The depth interviews suggested that even where businesses were facing significant levels of financial distress, there was little evidence to indicate that access to funding at the pace at which BBLS was delivered (i.e., loan proceeds available within 1 to 2 days) was necessary to secure the survival of the business. Businesses highlighted that in many cases they were seeking to obtain funds while they still had financial headroom and before cashflow issues became significant. Several businesses also described the patience of creditors over the period, giving examples of where they had been given extensive periods of time to repay debts accumulated.

There are, however, significant questions regarding whether lending institutions would have been able to process loan applications in these volumes over relatively short periods of time using their BAU approaches. BBLS issued 270,000 loans in the first week, and close to 800,000 in the first month. Lenders conducting BAU checks on such a volume of applications

[67] As highlighted in the early impact evaluation, the death rate of borrower businesses was just 0.2 percent by the end of 2021, with the insolvency rate across the whole economy estimated at 0.7 percent (based on the number of insolvencies since March 2020 (22,000) and the stock of active businesses in 2020 (3m). This is a provisional estimate based on survey data subject to non-response bias.

[68] For CBILS, a total value of £2bn of loans have been repaid in full (11 percent of facilities); for BBLS, a total value of £2bn have been repaid in full (four percent of facilities); for CLBILS, a total value of £0.8bn has been repaid in full (14 percent of facilities).

[69] British Business Bank data. Available at: https://www.british-business-bank.co.uk/covid-19-emergency-loan-schemes-repayment-data/#footnote-3

would have created an extensive backlog with businesses waiting significantly longer for a loan during which period the survival of the business may have been at risk.

As such, the findings from the business interviews could raise some questions regarding the strength of the economic need to drop many BAU checks on lending decisions to achieve the size of the acceleration of lending approvals with the BBLS programme (at least for sectors that were able to continue to trade through lockdown restrictions). However, this needs to be placed in the context of economic uncertainty of the time, as the severity of the impacts of the pandemic on trading conditions were significant and it was unclear how rapidly businesses would exhaust their reserves, and the likelihood that businesses would have faced much longer approval timescales in the absence of these adjustments (over which the risks to their survival would have become much more significant).

Market outcomes

The Covid-19 Loan Guarantee Schemes supported a substantial increase in lending to SMEs between March and July 2020 (covering the first three months of BBLS and five months of CBILS, during which time the majority of guaranteed loans were provided[70]), as illustrated in Figure 13. Total gross lending to SMEs rose from £57bn in 2019 to £105bn in 2020, with BBLS and CBILS facilities drawn down by the end of 2020 representing some 55 percent of gross lending to SMEs[71]. UK Finance figures also indicate that SME deposits rose by approximately £60bn between February 2020 and December 2020[72]. Data from both UK Finance and Bank of England indicate that repayments of loans rose with the introduction of BBLS[73]. This indicates:

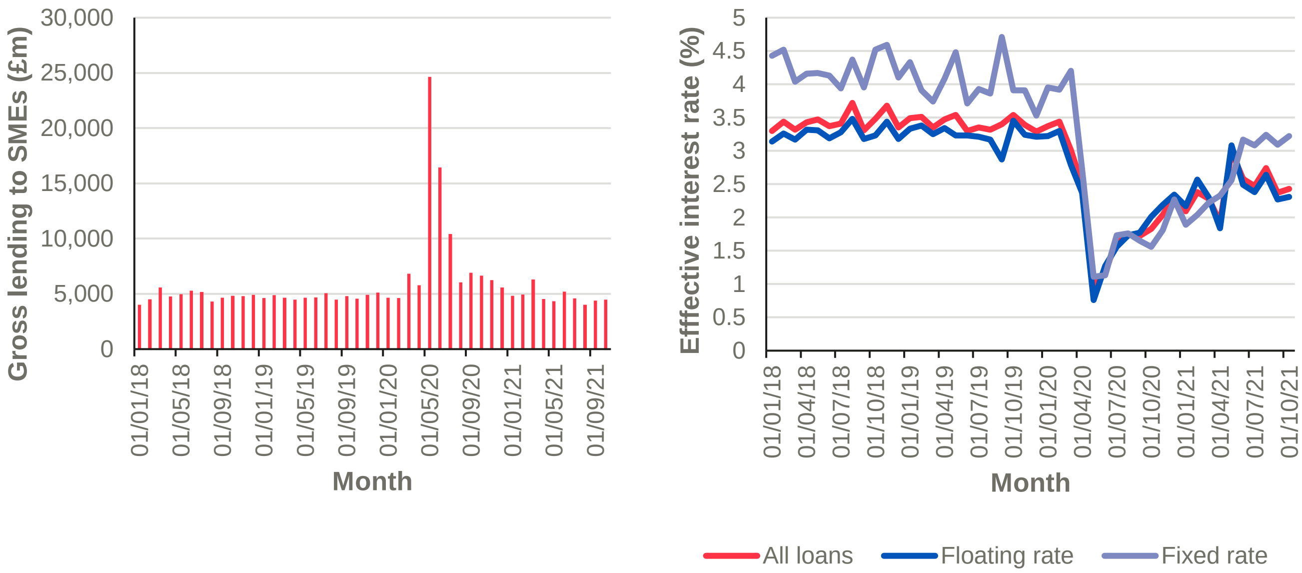
- The Covid-19 Loan Guarantee Schemes were effective in rapidly unlocking funding for SMEs.
- Guaranteed lending was available at low prices both relative to pre-pandemic levels and prevailing rates following the closure of the schemes (Figure 13). The low cost of credit may

[70] By August 2020 74 percent of BBLS loans and 41 percent of CBILS had been drawn down, representing 63 percent of the Covid-19 Loan Guarantee Schemes support to SMEs.
[71] British Business Bank (2021) Small Business Finance Markets 2021. Note that due to definitional differences, Bank of England figures on gross lending cannot be compared directly with figures on facilities drawn down from BBLS and CBILS.
[72] Ibid.
[73] Ibid.

explain the share of borrowers that reported that they would not have otherwise sought to borrow during the Covid-19 pandemic.

- Consistent with the evidence gathered from borrowers of guaranteed lending, loan proceeds were often used as a protective measure and not deployed (contributing to an increase in deposits). Some businesses may also have chosen to refinance existing debts using the Covid-19 Loan Guarantee Schemes to take advantage of lower rates (although there was limited evidence of this from the research undertaken with businesses).

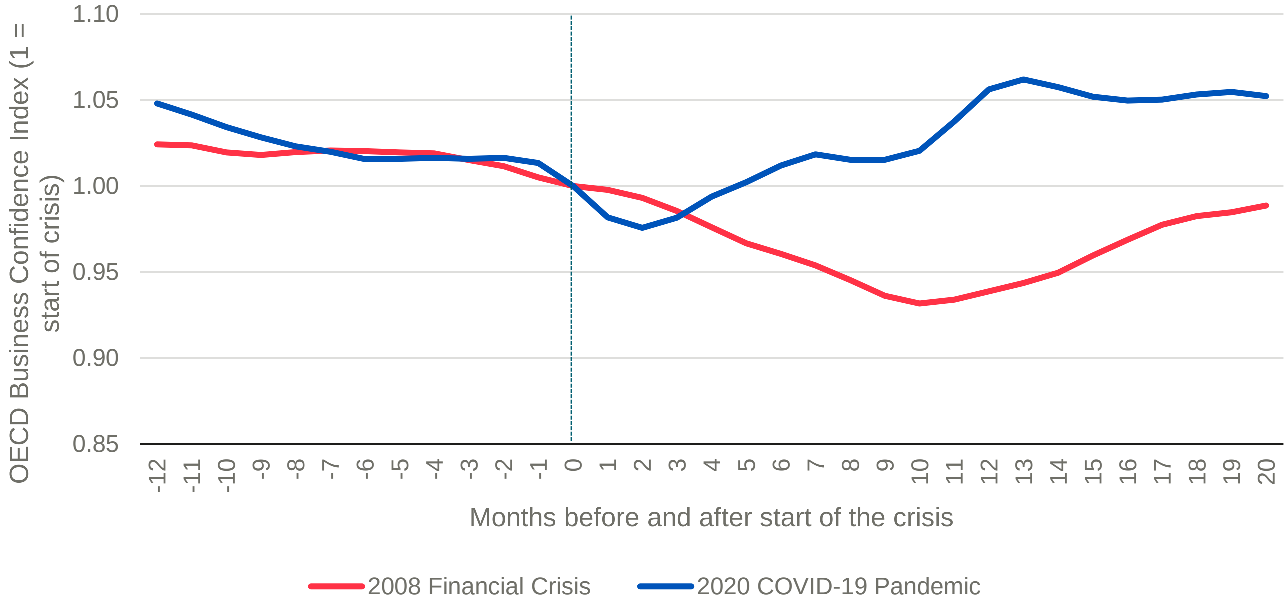
Figure 13: Gross lending and effective interest rates on new loans to SMEs, 2018 to 2021



Source: Bank of England – Gross lending to SMEs (RPMZM8B) and Effective interest rates for SMEs on new loans (CFMZ6LD)

Analysis of business sentiment indicators indicate that business confidence stabilised rapidly after the beginning of the pandemic (Figure 14). The OECD Business Confidence Index for the UK recovered to pre-pandemic levels within five months of the announcement of lockdown restrictions – with confidence restored much more rapidly than in the aftermath of the 2008 financial crisis. While causal relationships cannot be inferred owing to differences in the underlying nature of the two events, this signals that the Covid-19 Loan Guarantee Schemes and other elements of the government response may have helped to restore business confidence relatively rapidly. This is likely to have had important macroeconomic impacts by stimulating supply chains and consumer spending (potentially leading to impacts on business survival beyond the businesses that directly benefitted from loan guarantees).

Figure 14: Business Confidence Index – Covid-19 pandemic and 2008 financial crisis



Source: OECD Business Confidence Index (rebased to 1 at May 2008 and March 2020)

The effects of the Covid-19 Loan Guarantee Schemes on gross lending to SMEs are visible in measures of market concentration amongst large bank lenders. Eighty-eight percent of facilities drawn down through BBLS and CBILS by the end of 2020 were provided by large banks. While challenger and specialist banks accounted for around 50 percent of total lending to SMEs in 2018 and 2019, this fell to 31 percent in 2020[74]. However, since the Covid-19 Loan Guarantee Schemes closed, the market share of challenger and specialist banks has increased to pre-pandemic levels (around 50 percent), showing that this was a short-term adverse effect of the Covid-19 Loan Guarantee Schemes[75].

British Business Bank research has also indicated that the share of SMEs considering more than one finance provider fell from 34 percent to 14 percent (with businesses choosing

[74] Ibid
[75] British Business Bank (2022) Small Business Finance Markets 2021/22. Available at: https://www.british-business-bank.co.uk/wp-content/uploads/2022/02/Small-Business-Finance-Markets-Report-2022-FINAL.pdf

providers based on existing relationships or that only single provider offered the relevant product[76], rather than competitive factors such as the ease of the process or prices)[77].

As highlighted above, both procedural factors and the design of the scheme led to the non-participation of, or late entry of, non-bank lenders with more complex financial arrangements, resulting in market distortions and reduced levels of competition. Accepting these costs was required to establish the schemes at the necessary pace, though it appears that these impacts were short-term, as the market share of challenger and specialist banks has increased to pre-pandemic level.

Monitoring and fraud detection

The following sections provide preliminary findings in relation to the effectiveness of monitoring arrangements and processes for fraud detection. As highlighted elsewhere, as reporting on the Audit Assurance Programme was not available for this stage of evaluation, this section largely reports on procedural issues. Additionally, this stage of the evaluation did not collect evidence on the effectiveness of fraud prevention and detection processes owing to the infancy of data available on fraud detection and repayments and the parallel National Audit Office investigation into BBLS. These issues – alongside debt recovery processes – will be revisited in later stages of the evaluation (in line with the Process Evaluation Framework set out in Annex 1).

Data sharing

Sharing of aggregated data between lenders, the British Business Bank, and HM Treasury aimed to provide government and the British Business Bank with oversight of the progress of the Covid-19 Loan Guarantee Schemes and information against which performance and compliance with the legal agreement and scheme rules could be monitored. Data was initially captured via the data portal developed for the EFG programme, which was tailored for relatively small numbers of loan applications. This involved manual submission of data and reportedly led to some data entry issues through human error, partly driven by the large increase in volume of

[76] Consistent with banks closing to new business customers during the Covid-19 pandemic.
[77] British Business Bank (2021) SME Finance Survey 2020

applications in the Covid-19 Loan Guarantee Schemes compared to the predecessor EFG programme.

To address this, the British Business Bank introduced a new Application Programming Interface (API) system in the summer of 2020. By Autumn 2021, fourteen of the 126 accredited lenders – generally higher volume lenders - have integrated with the new API system at the time of writing (December 2021). In the longer term, it is hoped that more lenders will integrate with the new API system, but the reasons given by lenders as to why they had not integrated were:

- Some lenders were running the schemes from old database systems (often as a legacy of delivering EFG) which do not support the API infrastructure.
- Smaller lenders indicated that implementing the API infrastructure was very costly, and they did not have the resources to do this yet. Additionally, for smaller lenders with a smaller portfolio within the schemes, it did not make sense to spend money upgrading their systems for a small number of loans.

The Treasury also requested information from lenders which took the form of completing a pro forma. This captured whether lenders were lending in accordance with the allocations set out in their agreements, whether the lender is recovering repayments as would be expected, etc, and providing aggregate level data to monitor the Covid-19 Loan Guarantee Schemes. In the early stages of the scheme delivery (up until summer 2020) the Treasury was requesting daily updates from large lenders, and weekly updates from smaller lenders. The reason for having two sets of information requested was to compensate for a gap between actual lending volumes and those being recorded in the portal in the early days of the scheme (as lenders needed time to integrate with the British Business Bank’s APIs).

Lenders reported that this created duplication of effort. The request from the Treasury differed from the portal requirements for the British Business Bank, in that it required some additional fields and breakdowns that were not included in the portal request. There were also some fields which were requested by the Treasury which not all lenders could provide, as many were using historic data collection systems rather than setting up new ones for the schemes, and the older databases did not include the requested fields or were difficult to manipulate to provide the required data. Lenders reported that the Treasury understood these issues and allowed them to submit data with missing fields where there was a valid reason for this.

There was no pattern observed in the lenders that had transferred to using the API system, with some larger banks having transferred and others not (though volume lenders had tended to integrate with the API systems), and some smaller, fintech lenders having started to use the API infrastructure. Where lenders had started to use the API process, they described the British Business Bank as being very supportive in providing information and guidance to get the systems working.

Other lenders still using a manual update also all described the British Business Bank as being very supportive in helping them to ensure they could upload data and responsive to any queries they had, although these were said to be limited as the portal was confirmed to be very self-explanatory.

Monitoring of lenders

The aim of the monitoring of lenders is to identify whether lenders are complying with the requirements of the schemes. The key monitoring activities are:

- Monitoring of the data uploaded to the British Business Bank data portal (as discussed above) and checking whether lenders are violating their lending agreement (for example lending over their lending limit allocation).
- The information provided is analysed by BBB to provide reports to the various scheme working groups so that the schemes are monitored at a macro as well as a micro (individual contract) level.
- A rolling external audit of lenders (the Audit Assurance Programme) by three contractors on behalf of the British Business Bank is ongoing. The audit includes the selection of a sample of scheme-supported facilities from each scheme and involves the auditor obtaining and assessing all the relevant loan documentation for that application – the application form, the audit trail of the decision-making process, the contract and the terms and conditions and the activities the lender has undertaken to collect repayments. This aspect of the monitoring process is covered further below.

The Covid-19 Loan Guarantee Schemes were delegated schemes[78] and the British Business Bank would not typically intensively monitor the day-to-day activities of lenders. As such, monitoring of lender activity was reportedly unintrusive (not including the audit assurance programme) and primarily focussed on the data being submitted, including whether the lender was within their threshold for total facilities offered, whether lenders were providing finance in line with their pricing matrix (for CBILS and CLBILS), whether lenders were complying with rules about the number of loans made to businesses, and checking the accuracy of the data submitted on the portal. This aligned with the nature of the scheme as a delegated programme.

One issue which was raised by multiple lenders around the monitoring by BBB was around communication between team members working on monitoring. This particularly related to monitoring of the consistency of information reported. Due to the manual nature of data collection for some lenders, there were reported cases of data entry error by lenders. Where this happened and was spotted by the British Business Bank (for example total loans being lower in a month than the preceding month, or a loan amount being entered as too high or too low), it would contact the lender to clarify, and the lender would provide the corrected information. However, sometimes this information did not appear to have been passed across the entire team, and lenders would subsequently be contacted about the same issue. This was a mild frustration for the lenders.

One lender did report that they were contacted by the British Business Bank as a result of offering finance which exceeded their lending limit allocation, demonstrating that the Bank was actively monitoring this information. The issue was resolved quickly as the lender in question was involved in asset finance and had many offers which had not been drawn down. They did not expect all of the offers to be drawn down, so did not think they would exceed their lending portfolio (and had not lent excessive amounts at the time of intervention) but worked with the British Business Bank to increase their lending limit.

A further issue with monitoring was also raised by two asset finance lenders, which was monitoring of when a loan could be drawn down after the offer had been made (for asset finance, within six months). The British Business Bank were monitoring this information and queried with the lenders cases where they believed that the loan had been drawn down after

[78] A delegated scheme means the delivery of the schemes, overseen by Government and managed by British Business Bank, was delegated to private institutions (the lenders).

the time limit had passed. However, the British Business Bank was applying 180 days, rather than six months, and as one lender described “asset finance deals always go down to the wire”, meaning the lending was drawn down within six months, but beyond 180 days. The lenders were given the opportunity to discuss this with BBB and present their case and demonstrate that they had not breached their agreement.

Audit of lenders

BBB commissioned a rolling audit assurance programme covering all accredited lenders, which is delivered by three independent professional risk services businesses (as there were potential conflicts of interest between the primary providers and some of the lenders). To date, the audits have taken place in the second half of 2020 and through 2021 and involve an examination of a lender’s practices for administration of the schemes and samples scheme-supported facilities throughout their lifecycle to check the lender is appropriately following the scheme rules. This includes detailed assessment of loan eligibility and the documentation the lenders hold for the schemes.

The audit process was described by lenders as being more detailed (in terms of the number of lending cases the auditor looked at) and the breadth of topics which were being covered than they would expect to have in a usual audit. A census of cases was taken in the case of some lenders with smaller portfolios to provide a high level of confidence in the outcomes of the audit process. Due to the scale of the audit process, it was resource intensive for the lenders, as they had to provide information and clarifications to the auditors, with the lenders reporting the process took weeks to complete. Despite the resource intensive nature of the audit, most lenders were satisfied with the process and understood the reasons why the audit was more detailed than their internal audits (i.e., to protect Government finances).

The auditors collated their findings and provided a report to the British Business Bank for each audit review completed, and the report was also copied to respective lenders. This included audit findings where the auditor found that the lender was not in compliance with their legal agreement and scheme rules. Lenders agreed management actions to be taken to address the findings and thereby improve scheme compliance. Lenders also agreed the timeframes to complete required actions. The timeframe depended on the severity of the issue found – overall, the information the Auditors were provided with indicates that, on average, accredited lenders may only be in breach of a small number of scheme rules tested or the breaches would have minimal impact on Scheme Facilities. Most issues discovered have been resolved.

As highlighted above, full outcomes from the audit process were not available for the research stage of this phase of the evaluation and will be reviewed as part of future stages of the study.

Monitoring of businesses

Lenders are subject to an obligation to undertake transaction monitoring by virtue of the anti-money laundering regulations and their regulatory requirements, as part of their BAU. Lenders and businesses both reported limited additional monitoring above BAU by lenders of businesses which have accessed finance through the schemes. This monitoring appeared to be in line with a lenders business as usual approach to monitoring customers, which involved:

- For banks, they would monitor the business account, monitoring in-goings and outgoings and cash flow, to assess the position a business would be in to pay back the loan.
- For all lenders, ongoing relationship interactions, such as emails, letters, and phone calls from a relationship manager to check on the business. These were reported to happen anywhere between quarterly and annually, and were the relationships that banks already had in place with their customers – no new measures were introduced as part of the Covid-19 Loan Guarantee Schemes.

For CBILS/CLBILS, lenders had to ensure during the application process that the loan was for an Eligible Purpose and indicate what that purpose was. For BBLS, borrowers had to certify that they were using the loan to provide economic benefit to the business and that it would be wholly used for business and not personal purposes. However, none of the lenders interviewed (other than asset finance lenders) reported undertaking any additional monitoring of how the business was using the money they had borrowed, to check that they were complying with the conditions of the scheme. Asset lenders were slightly different in this regard, as it is very clear whether the lending has been used to purchase the asset for which the lending has been made (and asset finance companies often purchase the asset for the business).

Fraud detection

As highlighted in the scheme design sub-section, the likelihood of fraud was considered a risk to the value for money associated with BBLS. This stage of the evaluation did not collect evidence on the effectiveness of fraud prevention and detection processes owing to the infancy of data and parallel National Audit Office investigation into BBLS[79], which had a focus on the strength of counter fraud processes. For CBILS and CLBILS, lenders were required to undertake their BAU checks to prevent fraud, therefore fraud rates were expected to be similar to those observed in commercial lending.

Core counter-fraud measures that were consistent with the self-certification design of BBLS were in place at the launch of BBLS – with lenders to undertake fraud screening, and relevant ‘anti-money laundering’ and ‘know your customer’ checks on potential borrowers[80]. It was acknowledged prior to launch that, even with these measures, there was a high level of residual fraud risk within BBLS, but the Ministerial Direction noted the need to nevertheless proceed with the scheme due to the unprecedented situation and the need to achieve the objective of rapidly providing funding to businesses (see scheme design sub-section).

As the scheme developed, thirteen additional counter-fraud measures were introduced and can be split into three broad categories:

- **Prevention** – including providing markers of changes in directors, the HMRC Bounce Back Loan Verification Scheme (used to check the turnover of businesses), and a bulk objection process to prevent companies closing to avoid repayment of loans.
- **Detection** –including a range of activities to assess the level of fraud risk associated with the portfolio, the introduction of a Covid-19 fraud hotline, and the involvement of the Government Counter Fraud Function analytical team and NATIS to identify, investigate, and disrupt fraudulent activity.
- **Enforcement / Recovery** – covering the collaborative statement of agreed principles in relation to collections and recoveries under the BBLS.

Some lenders reported including their own fraud prevention measures, which was encouraged by BBB, such as monitoring applicants’ bank accounts to assess whether the business was

[79] National Audit Office (2021) The Bounce Back Loan Scheme: An Update
[80] For borrowers applying for guaranteed loans through their existing bank (where the business account was held), these checks would already have taken place and were not needed for the BBLS application process.

active or whether the business was in difficulty, and running additional checks of the company (for example Remote Deposit Capture (RDC) and Companies House checks). Additionally, one lender interviewed reported introducing a flagging system which detected whether money provided through the scheme was transferred out of the business account immediately and would investigate further if this was the case.

The British Business Bank and BEIS have expanded the size of their counter fraud functions since the launch of the schemes and are making use of the Government Counter Fraud function and the National Investigation Service (NATIS) to support fraud detection, enforcement and recovery. However, owing to constrained resources, BEIS has prioritised its activity according to three tiers of risk and is focusing most of the law enforcement response on the highest tier of risk (those involving organised crime groups and sums of £100,000 or more). Enforcement agencies are also reportedly stretched owing to the scale of the BBLS programme – while NATIS received 2,100 intelligence reports by October 2021, it only had capacity to pursue 50 cases per annum. BEIS are reliant on lenders to investigate mid and bottom tier fraud cases, though the National Audit Office also concluded that their commercial incentives to do so (beyond the requirements of the scheme) are limited as they can reclaim funds via the guarantee (though lenders do have regulatory and legal obligations). Lenders will also be audited by the British Business Bank in terms of their adherence to obligations to investigate fraudulent activity.

A British Business Bank commissioned assessment of the level of fraud occurrence associated with a sample of loans undertaken in March 2021 had a central estimate that around 11 percent of BBLS loans were likely to be fraudulent (with an estimated value of £4.9bn, based on facilities drawn down until 31 March 2021). An updated assessment undertaken in October 2021 indicated that the estimate of fraud occurrence may be lower than this (at 7.5 percent). On the one hand, it should be noted that these estimates did not account for fraud driven by applicants inflating their turnover to obtain larger loans (considered by the British Business Bank to be the primary fraud risk, although this may not prevent the loan from being repaid). On the other hand, this estimate also assumes that any fraud leads to a total loss of the loan, which is likely to overestimate losses as some funds may be recoverable. In any event, it is still too early to fully assess the level of defaults and fraudulent claims.

Early impact evaluation

Introduction

The aim of the early impact evaluation was to quantify the impact of the three Covid-19 Loan Guarantee Schemes on business-level economic outcomes of borrowers. More specifically, the three main research questions were:

1. Was lending under the Covid-19 Loan Guarantee Schemes 'additional'? In other words, did loans accessed through the Covid-19 Loan Guarantee Schemes provide funding that businesses could not access through other sources in time to meet funding needs? Furthermore, did borrowing businesses carry out economic activity that would not have been undertaken by competing businesses in the absence of the Covid-19 Loan Guarantee Schemes?

2. Did the Covid-19 Loan Guarantee Schemes have an impact on businesses' survival prospects, employment, and turnover?

3. Can the impact of the Covid-19 Loan Guarantee Schemes be distinguished from other forms of business support, such as the Coronavirus Job Retention Scheme (CJRS)?

To address these research questions, Ipsos undertook a survey of businesses who received funding through one of the Covid-19 Loan Guarantee Schemes as well as a set of businesses which faced challenges or opportunities as a result of the Covid-19 pandemic, and were eligible for one of the Covid-19 Loan Guarantee Schemes but did not receive a facility under one of the Covid-19 Loan Guarantee Schemes.

In total, 2,143 businesses completed a mixed mode survey (online and telephone) between 27 August and 20 December 2021, of which 588 interviews were with BBLS borrowers, 358 interviews with CBILS borrowers, 32 interviews with CLBILS borrowers and 1,171 interviews with non-borrowers, or control groups.[81] Due to the small number of CLBILS interviews (in part

[81] To account for the oversampling of certain sub-populations, the descriptive analysis is performed on weighted data. Several sets of weights were generated for the survey data: (i) For each Covid-19 Loan Guarantee Scheme,

due to the limited population size), and the similarity between the CBILS and CLBILS schemes (the main differences being that the CLBILS scheme served larger businesses, did not include a Business Interruption Payment, and the term was shorter), the CBILS and CLBILS samples are combined in the analysis.[82]

For greater comparability between the treatment and control groups, non-borrowers were screened during fieldwork based on whether they faced challenge or opportunities because of the Covid-19 pandemic. This aimed to ensure that, like borrowers, control businesses were also affected by the pandemic, and therefore potentially faced similar financial or operational issues to those experienced by borrowers.[83]

As the first year's impact evaluation analysis takes place so soon after the events that it is concerned with, the research questions to evaluate the impact of three Covid-19 Loan Guarantee Schemes are mainly assessed using the survey data given lags in secondary data.

The first research question listed above – investigating additionality and product market displacement – relies on borrowers' self-reported assessments of a counterfactual scenario in the absence of the Covid-19 Loan Guarantee Schemes (additionality of lending), as well as their assessment of competition in their market (product market displacement). The second research question relies on a combination of self-reported impacts, secondary data, and econometric analysis of survey data. The impact of the Covid-19 Loan Guarantee Schemes on business survival is estimated based on observed death rates in BBB management information data as well as businesses' own assessment of whether they would have survived in the absence of the Covid-19 Loan Guarantee Schemes. The analysis of the Covid-19 Loan Guarantee Schemes' impacts on turnover and employment is based on econometric analysis, which incorporates a number of business characteristics (e.g. turnover, employment, sector), as well as businesses' self-assessment of business obstacles (see below). The third and fourth research questions are answered via econometric analysis. Throughout this chapter,

a weight is given to each business that received a loan under one of the Covid-19 Loan Guarantee Schemes such that they are representative of the borrowing business population for the relevant Covid-19 Loan Guarantee Schemes (i.e., a weight for each Covid-19 Loan Guarantee Schemes). For businesses that did not receive a loan under one of the Covid-19 Loan Guarantee Schemes (i.e., the control group), a weight is given to each of these businesses to mirror the borrowing business population. (ii) A weight is given to all businesses in the survey data such that they map to the whole business population.

[82] Technical details of the primary data collection are provided in Annex 2.

[83] Indeed, being affected by the Covid-19 pandemic was one of the eligibility criteria of the Covid-19 Loan Guarantee Schemes.

descriptive analysis of the quantitative survey (e.g., self-reported uses of the funds obtained through the Covid-19 Loan Guarantee Schemes, business obstacles faced) is used to provide further context to the findings. In addition, the evaluation engaged with the wider literature to provide context for the results from the early impact assessment. These are presented in more detail in Annex 6.

Where appropriate, secondary data sources are matched to the survey data to further enrich the analysis dataset. In subsequent years, further availability of secondary data will allow information from the survey to be validated.

Before addressing each research question, the following section presents an overview of the impact of the Covid-19 pandemic on businesses that received a loan under one of the Covid-19 Loan Guarantee Schemes as well as those that did not. The subsequent sections, in turn, focus on each research question.

Profiling businesses accessing the Covid-19 Loan Guarantee Schemes

This section describes the characteristics of the borrowers in the sample, businesses' use of external finance and its source, the speed of accessing finance through the Covid-19 Loan Guarantee Schemes, the reasons why non-borrowers did not seek finance through the Covid-19 Loan Guarantee Schemes, and the use of the Pay As You Grow options for the BBLS. These descriptive statistics provide context for the results presented in subsequent sections.

Business characteristics of the sample

- BBLS borrowers were typically small businesses - 52% of BBLS borrowers had turnover of £100,000 or less in the latest financial year and 89% had at most 9 employees prior to the pandemic (Table 15 and Table 16 in Annex 3).
- CBILS/CLBILS borrowers are generally larger enterprises – only 6% had turnover of £100,000 or less in the latest financial year and 20% had turnover of £5 million or more. Almost half of CBILS/CLBILS borrowers (47%) had between 10 and 49 employees prior to the pandemic, with the majority of the remainder having fewer staff than that (Table 15 and Table 16 in Annex 3).

- There is a wide range of age representation among BBLS borrowers, with 19% of businesses trading in excess of 20 years and a similar proportion trading for at most 5 years (Table 19 in Annex 3).
- The age profile of CBILS/CLBILS borrowers is older than that of BBLS, with 45% having traded for 20 years or more and just 3% for 5 years or less (Table 19 in Annex 3).[84]

Sources and use of external finance

- External finance obtained via one of the Covid-19 Loan Guarantee Schemes was the largest source of external finance used in the last 3 years for 65% of BBLS borrowers and 63% of CBILS/CLBILS borrowers (Table 20 in Annex 3).
- The most common source of external finance among comparable non-borrowers since the start of the pandemic was government or local government grants (36% for BBLS non-borrowers and 32% for CBILS/CLBILS non-borrowers); however, a higher proportion than that have not used any external finance since the onset of the pandemic (48% of BBLS non-borrowers and 38% of CBILS/CLBILS non-borrowers) (Table 21 in Annex 3).

Speed of accessing guarantee-backed finance

- The time taken for borrowers to obtain finance varied greatly between BBLS borrowers and borrowers of the other two Covid-19 Loan Guarantee Schemes. 45% of BBLS borrowers took less than one week to obtain finance from the scheme, and it took one month or more for just 11% of borrowers. In contrast, just 9% of CBILS/CLBILS borrowers obtained finance in less than one week and it took over one month for 41% of borrowers (Figure 8). The average time taken to obtain the finance was around two weeks for BBLS and five weeks for CBILS/CLBILS borrower. This is consistent with the automated nature of the BBLS application process. However, it should be noted that this assessment is self-reported and

[84] The size and turnover profiles of BBLS and CBILS/CLBILS borrowers, as estimated from survey data and presented above, are broadly consistent with the population profiles, based on BBB management information data. Notable differences include the proportion of BBLS borrowers with turnover under £100,000, which is approximately 10 percentage points lower in the population, and the proportion of CBILS/CLBILS borrowers with 10-49 employees, which is approximately 20 percentage points higher in the population. The age distribution is not directly comparable across the survey and BBB management information, as the age buckets differ. However, both suggest that BBLS borrowers tend to be younger than CBILS/CLBILS borrowers.

was asked to businesses over a year after their application; therefore, these findings could be subject to imperfect recall.

How non-borrowers dealt with the issues caused by the Covid-19 pandemic

- Common responses to the pandemic by comparable non-borrowers included utilising other government support such as the Coronavirus Job Retention Scheme or Self-Employment Income Support Scheme (33% for BBLS non-borrowers and 44% for CBILS/CLBILS non-borrowers), cutting costs (30% of BBLS non-borrowers and 36% of CBILS/CLBILS non-borrowers)[85] and drawing on cash reserves (24% of BBLS non-borrowers and 26% of CBILS/CLBILS non-borrowers) (Table 26 in Annex 3).

Use of Pay As You Grow options for BBLS

- In the survey sample, 15% of BBLS borrowers have signed up for Pay As You Grow, with an additional 4% intending to do so in the future (Figure 20 in Annex 3).[86]

Impact of the Covid-19 pandemic on businesses

Analysis of survey data suggests that the proportion of businesses that experienced major challenges caused by the Covid-19 pandemic was higher among borrowers than comparable non-borrowers. Furthermore, borrowers are more likely to be trading in new goods, services, and/or markets since the pandemic, and to have used other government support.

The proportion of businesses that reported major challenges was higher among borrowers than comparable non-borrowers

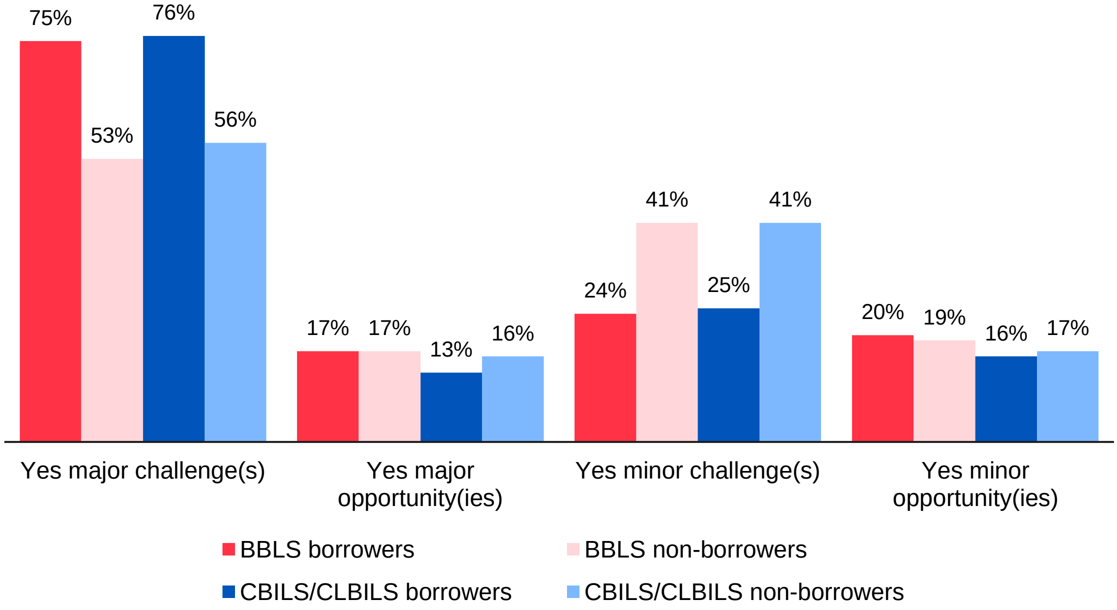
Nearly all BBLS borrowers (97%) faced some challenges as a result of the pandemic. Three-quarters of BBLS borrowers (75%) said they faced major challenges, while 24% faced only

[85] This is consistent with Bank of England research, which found that, on average, SMEs appear to have cut their costs by an amount equivalent to their reduction in turnover. Hurley, J., Karmakar, S., Markoska, E., Walczak, E., and Walker, D. (2021). *Impacts of the Covid-19 crisis: evidence from 2 Million UK SMEs*. Bank of England, Staff Working Paper 924.
[86] It should be noted that this estimate differs from the official data (https://www.british-business-bank.co.uk/Covid-19-emergency-loan-schemes-repayment-data/) due to timing and sampling variation.

minor challenges.[87] At the same time, around a third said the pandemic presented them with opportunities: 17% major opportunities and a further 20% just minor opportunities. A lower proportion of comparable BBLS non-borrowers faced major challenges (53%), but a similar proportion said they had opportunities (Figure 15).

The proportion of CBILS/CLBILS borrowers reporting major challenges as a result of the pandemic was very similar to that of BBLS borrowers (76%) with 25% saying they had only minor challenges. Approximately, three in ten CBILS/CLBILS borrowers said they had opportunities as a result of the pandemic – 13% major opportunities and 16% just minor opportunities. Again, CBILS/CLBILS non-borrowers were less likely to report major challenges (56%) but were similar in terms of experiencing opportunities (Figure 15).

Figure 15: Extent to which business faced any financial or operational challenges caused by the Covid-19 pandemic - Borrowers and non-borrowers



Base: All BBLS borrowers (191), BBLS non-borrowers (425), CBILS/CLBILS borrowers (238) and CBILS/CLBILS non-borrowers (420). Source: London Economics' and Ipsos' analysis of survey data

[87] Respondents were allowed to provide more than one answer to the question asking them if they faced any financial or operational challenges/opportunities caused by the Covid-19 pandemic. Hence, the proportion of borrowers that faced some challenges/opportunities (whether major or minor) is less than the sum of the proportions facing major challenges/opportunities and minor challenges/opportunities.

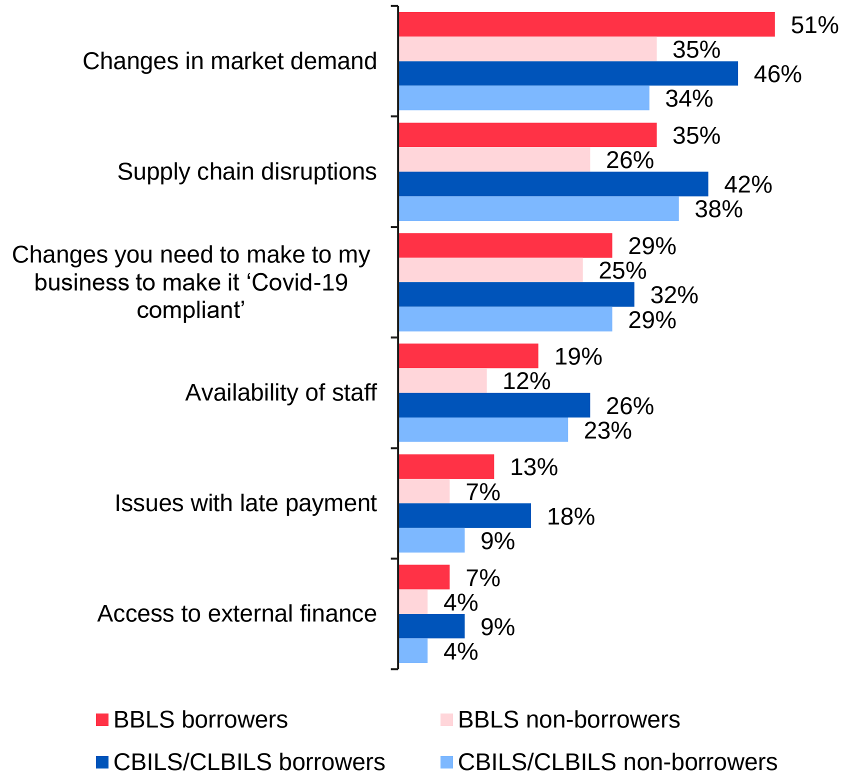
Changes in market demand, supply chain disruptions, and changes made to become ‘Covid-19 compliant’ were the most common major obstacles faced by businesses

Businesses were asked about the general business environment, and the extent to which certain issues had presented an obstacle to the running of their business as usual. The proportion of businesses that encountered these obstacles was higher among borrowers than non-borrowers (Figure 16). The difference was most pronounced in relation to changes in market demand: 51% of BBLS borrowers and 46% of CBILS/CLBILS borrowers saw this as a major obstacle, compared with 35% of BBLS non-borrowers and 34% of CBILS/CLBILS non-borrowers. BBLS borrowers in Construction were the least likely to report this as a major obstacle (25%) and there were notable differences in sectors among CBILS/CBILS borrowers.

Overall, borrowers were much more likely to experience obstacles in running their businesses - eight in ten (78%) of BBLS borrowers experienced at least one major obstacle compared to 61% BBLS non-borrowers. A similar proportion of CBILS/CLBILS borrowers (80%) experienced at least one major obstacle compared to 67% of CBILS/CLBILS non-borrowers.

The other common obstacles were supply chain disruptions (35% of BBLS borrowers and 42% of CBILS/CLBILS borrowers saw this as a major obstacle), and changes to the business to make it Covid-19 compliant (29% and 32% respectively). BBLS borrowers in the Business Services sector were less likely to see supply chain disruptions as a major obstacle (19%), however, there were smaller sectoral differences observed amongst CBILS/CLBILS borrowers.

Figure 16: Major obstacles to business environment



Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

Borrowers across all Covid-19 Loan Guarantee Schemes were more likely to be trading in new goods, services and/or markets as before the start of the Covid-19 pandemic than non-borrowers

Nearly all businesses interviewed were still trading at the time of the survey. Among BBLS borrowers, 91% were trading in the same markets as before the start of the pandemic, while 9% were (also) trading in new markets. BBLS borrowers in Production or Business Services were more likely to trade in new markets, goods or services compared to other sectors (16% and 13% respectively vs. 8% overall).[88]

[88] For the purposes of this study, the UK Standard Industrial Classification (SIC) sections are grouped as follows: Production: SIC Sectors beginning with A, B, C, D and E (e.g., A- Agriculture, B-mining, etc.). Construction: SIC sectors beginning with F (F-construction). Distribution: SIC Sectors beginning with G, H, and I (e.g., G-wholesale and retail trade, H-transport, etc.). Business services: SIC Sectors beginning with J, K, L, M, and N (e.g., J-

Approximately, 3% of businesses interviewed had closed temporarily or permanently or were in the process of closing.[89] The status of BBLS non-borrowers was very similar (Table 3).

CBILS/CLBILS borrowers were also mostly still trading in the same markets (94%), with 9% (also) trading in new markets and 1% having closed temporarily or permanently, or in the process of closing. CBILS/CLBILS non-borrowers were similar in their status, although an even higher proportion were continuing to trade in the same markets (97%) (Table 3).

Across all Covid-19 Loan Guarantee Schemes, borrowers were more likely than non-borrowers to be trading in new goods, services, and/or markets since the pandemic.

information and communication, L-real estate, etc.). Other services: SIC Sectors beginning with P, Q, R, and S (e.g., Q- human health and social work, etc.).

[89] Evidence from Business population estimates suggests that the private sector business population has decreased by 6.5% in 2021, compared to 2020 (BEIS, 2021). This suggests that the estimated shares of businesses that have closed may be underestimated. This could be due to under-sampling of these businesses, which are more challenging to contact. Because of this, the observed death rate of borrower businesses in the survival analysis is calculated based on BBB management information rather than survey data. BEIS (2021) Business population estimates for the UK and regions 2021: statistical release. [Online] Available at: https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html [Accessed 11 January 2022].

Table 3: Current trading status - Borrowers and non-borrowers

Current trading status	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Continuing to trade in the same goods, services and/or markets as before the start of the Covid-19 pandemic	91%	93%	94%	97%
Continuing to trade but in new goods, services and/or markets as before the start of the Covid-19 pandemic	9%	6%	9%	4%
Has temporarily closed or temporarily paused trading	1%	1%	-	1%
In the process of closing down permanently	1%	1%	1%	1%
Permanently closed	1%	*	*	-
We are a new business, or We do not trade / we are a e.g., church, charity	-	*	-	*
Other	1%	-	-	-
Don't know	-	*	-	-

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

The numbers of businesses that had closed temporarily or permanently are too small for detailed analysis, although most of them said that the decision to close their business was at least partly attributable to the Covid-19 pandemic. It should also be noted that the time period examined is short, and that findings in subsequent phases of the evaluation will explore medium- to long-term survival impacts.

Use of other government support was more prevalent among borrowers than non-borrowers

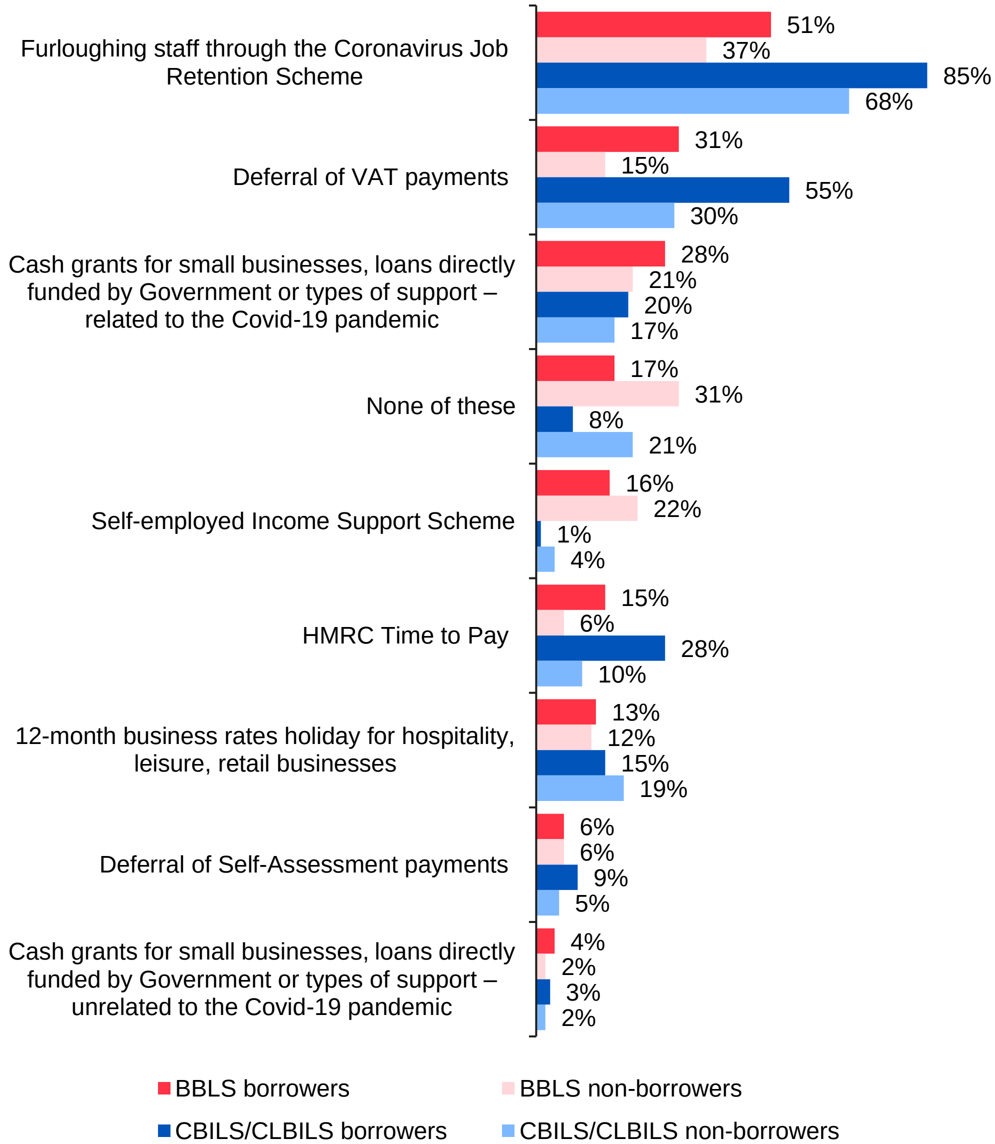
Most borrowers and non-borrowers said they used some form of government support other than BBLS or CBILS/CLBILS, between March 2020 and March 2021 (Figure 17). In particular:

- Eight in ten BBLS borrowers (82%) used some form of government support, most commonly furloughing staff through the Coronavirus Job Retention Scheme (51%), deferral of VAT payments (31%) and cash grants for small businesses related to the pandemic (28%). BBLS borrowers in the Production sector were more likely to use furloughing (65%) as well as deferral of VAT payments (44%) whilst those in Distribution were more likely to use cash grants (41%). Use of each of these forms of support was more prevalent among BBLS borrowers than BBLS non-borrowers.

- Nine in ten CBILS/CLBILS borrowers (92%) used some form of government support, including 85% that used the Coronavirus Job Retention Scheme[90] and 55% that used deferral of VAT payments. Again, use of these forms of support was more prevalent among CBILS/CLBILS borrowers than CBILS/CLBILS non-borrowers.

[90] The larger incidence of CJRS use among CBILS/CLBILS than BBLS businesses may be due the fact that BBLS businesses were smaller on average and more likely to not have employees and therefore not be eligible for the CJRS.

Figure 17: Use of government support between March 2020 and March 2021



Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

It should be noted that the econometric analysis seeks to overcome observed differences between borrowers and non-borrowers by matching borrowers to non-borrowers that are most similar based on pre-pandemic observable characteristics (e.g., turnover, sector) and the kind of business obstacles encountered during the pandemic.[91] This is intended to minimise the risk that any differences in business outcomes across both groups are due to factors other than participation in the Covid-19 Loan Guarantee Schemes.

Additionality of lending

'Additionality' refers to benefits generated by a policy or intervention which would not have occurred if the policy or intervention had not been introduced. In the context of the Covid-19 Loan Guarantee Schemes, additionality of lending denotes the extent to which businesses experienced benefits from borrowing under the Covid-19 Loan Guarantee Schemes which they would not have experienced if these had not been in place.

A narrow definition of additionality would consider the extent to which borrowers of the Covid-19 Loan Guarantee Schemes would not have been able to obtain the funds via other sources. However, this definition would not capture two other important objectives of the Covid-19 Loan Guarantee Schemes, which were to provide funds to businesses in a timely manner and allow businesses to maintain liquidity until the lifting of lockdown measures.

Hence, a more suitable measure of additionality would consider not only whether the loans received under the Covid-19 Loan Guarantee Schemes could not have been obtained otherwise, but also whether they could have been obtained in sufficient quantity and in a timely manner. This study explores through a survey whether, in the absence of the Covid-19 Loan Guarantee Schemes:

1. Borrowers would have applied for other sources of external finance.[92]
2. Whether that application would have been successful.[93]

[91] Table 41 and Table 42 compare the incidence of various characteristics across the borrower and non-borrower samples both before and after this matching exercise, and show that the matching substantially reduced differences across both samples.

[92] Specifically, whether borrowers expect that they would probably or definitely have applied for other sources of external finance. The study also considers whether businesses applied for other external finance in addition to funding via the Covid-19 Loan Guarantee Schemes (prior to applying for funding via the Covid-19 Loan Guarantee Schemes but after 23 March 2020), but, for the purpose of concision, the text only refers to other funding in the conditional, and to businesses' expectations rather than realised outcomes.

[93] Specifically, whether borrowers expect that they would probably or definitely have been successful. It should be noted that, in order to limit the survey length, when respondents said that they had/would have applied to more than one type of external finance, they were only asked about their success/the likely success of their application to one type of external finance.

3. Whether these other sources of external finance would have covered businesses’ cash flow needs.[94]

4. Whether these other sources of external finance could have been obtained in time to not miss any of the payments that they needed to make (i.e., timeliness of the external finance)[95].

The first three dimensions of additionality relate to the scale of lending, and the fourth relates to its speed. It should be noted that, in addition to these four dimensions, the cost and other terms and conditions of the loans may have been more favourable than what borrowers would have obtained in the absence of the Covid-19 Loan Guarantee Schemes.[96] Therefore, even loans under the Covid-19 Loan Guarantee Schemes that were not additional with respect to the above dimensions may have reduced repayment expenses, thereby increasing borrowers’ chances of long-run survival as well as the availability of funds for investing.

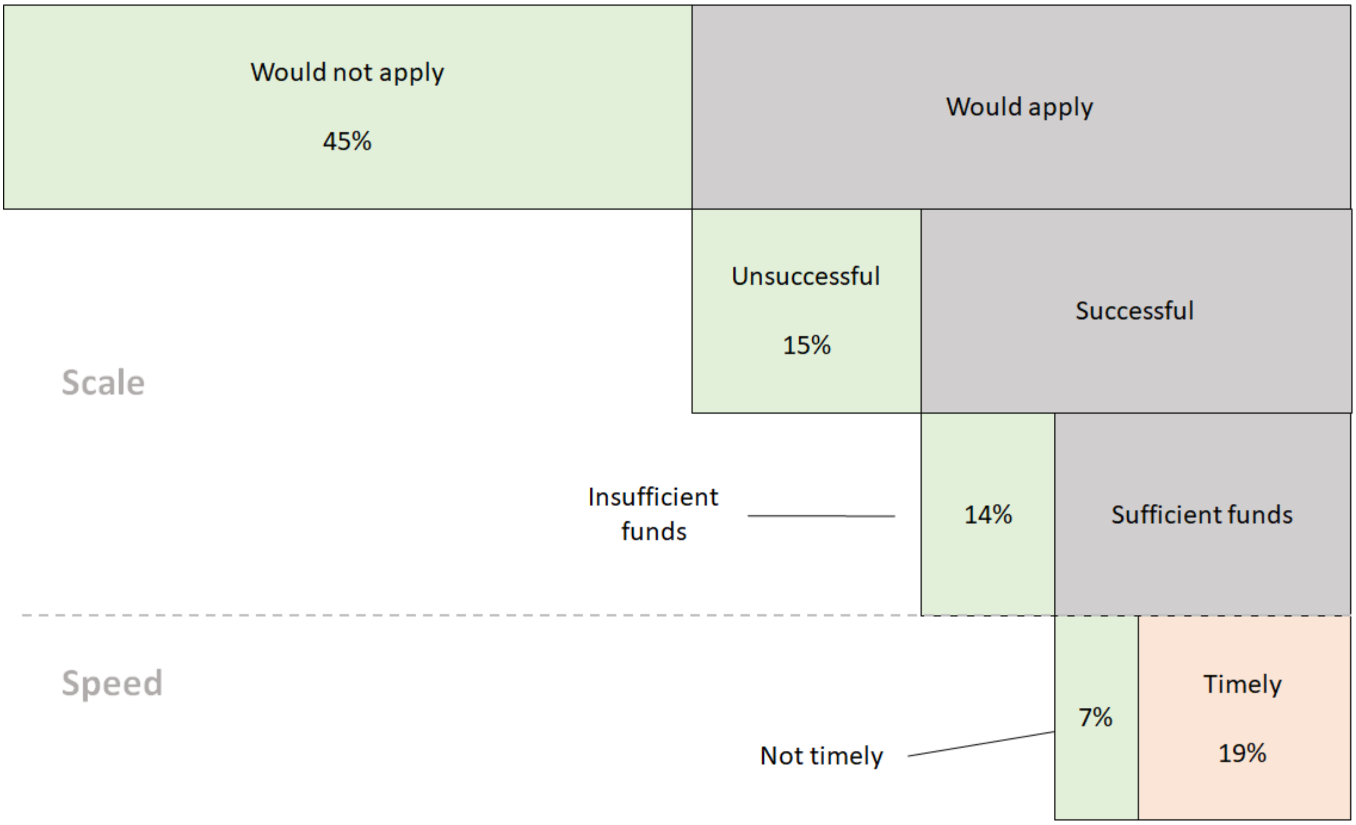
The additionality of lending is measured using survey-based indicators of borrowing businesses' actual and perceived difficulties in accessing funding through any other sources than the Covid-19 Loan Guarantee Schemes. If businesses expect that they would not have applied for alternative funding, would not have been successful, would not have been offered an amount sufficient to meet their cash flow needs, or would not have obtained the funds at the speed with which they were released under the Covid-19 Loan Guarantee Schemes, the Covid-19 Loan Guarantee Schemes loan will be classed as ‘additional’.

To translate the survey data into a quantitative measure of finance additionality, four aspects of additionality are considered – as mentioned above and illustrated in Figure 18 and Figure 19. Each row in the figure denotes a different dimension of additionality.

Overall, 81% and 77% of BBLS and CBILS loans (respectively) were found to be additional based on one of the four additionality dimensions outlined above.

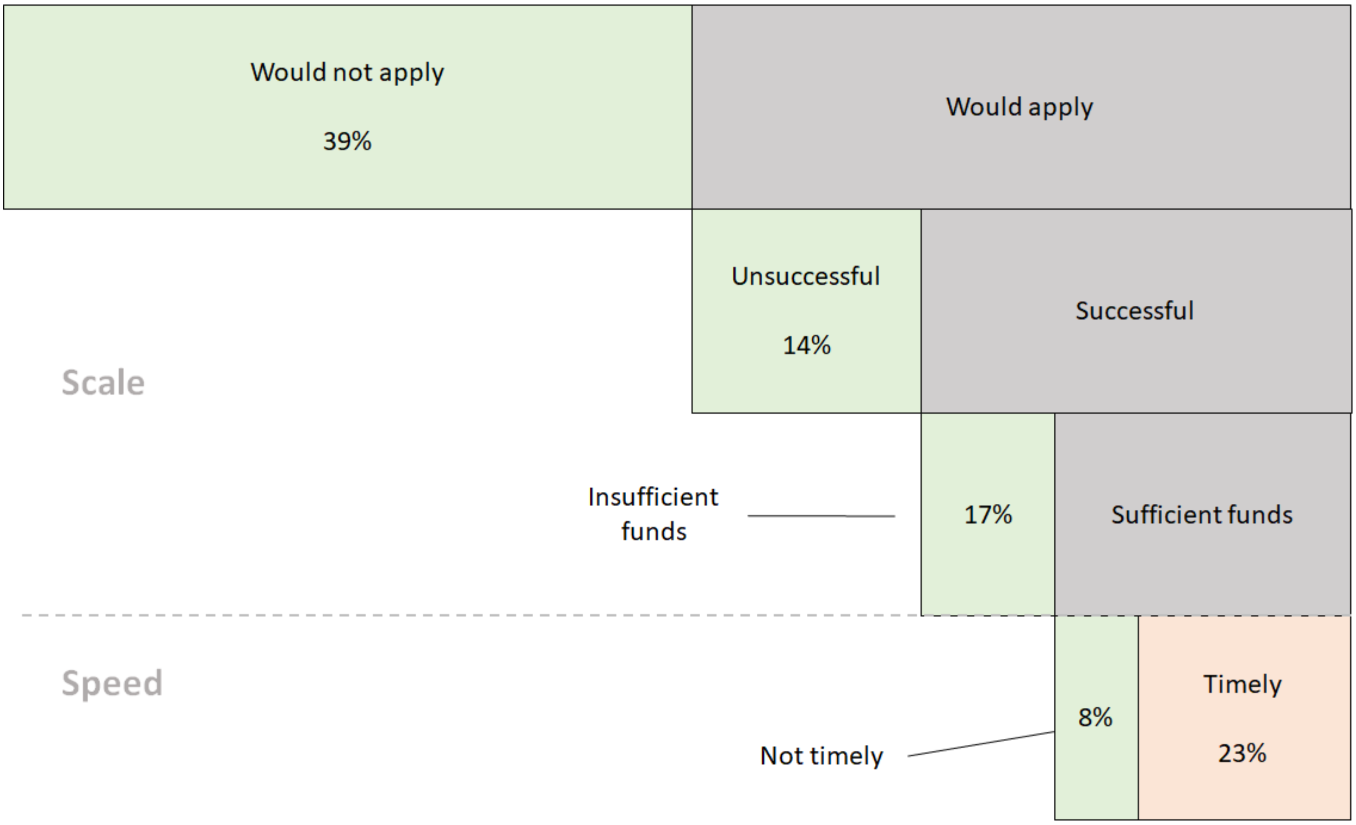
[94] Specifically, whether borrowers expect that these other sources of external finance would probably or definitely have covered their cash flow needs.
[95] Specifically, whether borrowers expect that these other sources of external finance could have been obtained within the same timeframe as the funds from the Covid-19 Loan Guarantee Schemes and, if not, whether the delay would have caused them to miss any payments that they made.
[96] For instance, BBLS borrowers did not need to start repaying their loans before 12 months because of the Business Interruption Payment and a 12-month principal repayment holiday.

Figure 18: Breakdown of the sample into different cases of additionality (81% overall) – BBLS



Note: Green-shaded boxes denote sets of businesses for which the loans were additional, grey-shaded boxes denote sets of businesses for which the loan was not additional with respect to a given dimension (even though it may be additional according to another dimension), and the orange-shaded box denotes the set of businesses for which the loans were not additional according to any of the dimensions. Source: London Economics analysis of survey data

Figure 19: Breakdown of the sample into different cases of additionality (77% overall) – CBILS/CLBILS



Note: Green-shaded boxes denote sets of businesses for which the loans were additional, grey-shaded boxes denote sets of businesses for which the loan was not additional with respect to a given dimension (even though it may be additional according to another dimension), and the orange-shaded box denotes the set of businesses for which the loans were not additional according to any of the dimensions. Source: London Economics analysis of survey data

In the absence of the Covid-19 Loan Guarantee Schemes, would borrowers have applied for other external finance?

The first aspect of additionality considers whether a business has applied or would have applied for alternative external finance in lieu of the funds from the Covid-19 Loan Guarantee Schemes. It is estimated that 45% of BBLS borrowers (Figure 18) and 39% of CBILS/CLBILS borrowers (Figure 19) would not have applied for external finance had they not received funding under one of the Covid-19 Loan Guarantee Schemes – the loans were additional for these businesses as they did not replace funding that would have been received in the absence of the

Covid-19 Loan Guarantee Schemes. This is consistent with the reserved SME attitude toward external finance pre-pandemic, although greater appetite for external finance was observed among larger SMEs. In the last quarter of 2019, 45% of SMEs reported using external finance with larger SMEs more likely to use some form of external finance (72%)[97]. Further to that, 43% of SMEs were neither using external finance nor were happy to do so in the future with the corresponding figure being significantly lower for larger SMEs (18%).

Of the borrowers that would not have applied for other sources of external finance (i.e., for which the loans were additional), approximately four in ten BBLS and CBILS/CLBILS borrowers (46% and 42%, respectively) mentioned that they did not want to take on debt (or more debt) (Table 27 in Annex 3). Given that these businesses took on debt using the Covid-19 Loan Guarantee Schemes, it may be the case that they were unwilling to take on more debt on terms and conditions that prevailed in the market but were willing to take on debt at the more favourable terms and conditions offered under the Covid-19 Loan Guarantee Schemes.

Of the businesses that would have sought other external finance if they had not received funds under the Covid-19 Loan Guarantee Schemes, a majority (56%) of BBLS borrowers would have tried to use personal funds from the owner(s) and/or director(s) (Table 28 in Annex 3), and a similar proportion (55%) would have applied for government or local government grants. These types of external finance were mentioned by 43% and 47% of CBILS/CLBILS borrowers (respectively). 60% of CBILS/CLBILS respondents would have applied for a bank overdraft and a similar proportion would have applied for a bank loan. Approximately 40% of BBLS borrowers would have applied for these sources of finance.

In the absence of the Covid-19 Loan Guarantee Schemes, would borrowers have been successful in their application for other external finance?

The second aspect of additionality considers whether, conditional on having applied, a business would have been successful in accessing alternative sources of external finance in lieu of the funds from the Covid-19 Loan Guarantee Schemes. Among the borrowers that would have applied to other external finance, 27% of BBLS borrowers and 22% of CBILS borrowers

[97] BVA BDRC (2020) SME Finance Monitor Q4 2019. [Online] Available at: http://www.bva-bdrc.com/wp-content/uploads/2020/03/BVABDRC_SME_Finance_Monitor_Q4_2019_FINAL.pdf [Accessed 2 February 2022]

expected that their application would have been unsuccessful (this group makes up 15% of all BBLS respondents and 14% of all CBILS/CLBILS respondents in this analysis).

Table 29 in Annex 3 illustrates the rate at which respondents estimated that they would have been successful in obtaining different types of external finance. For BBLS, this ranges from 47% in the case of equity finance to 93% in the case of credit cards. For CBILS/CLBILS, this ranges from 69% in the case of loans from individuals or organisations to 91% in the case of asset finance.

In the absence of the Covid-19 Loan Guarantee Schemes, would any funds from alternative sources of external finance have covered cash-flow needs?

The third aspect of additionality considers whether, conditional on access to other external finance, these funds would have covered all the business's cash flow needs. For businesses which would not have been able to cover all their cash flow needs (green-shaded in Figure 18 and Figure 19), the funds received under the Covid-19 Loan Guarantee Schemes would have been additional because, without these funds, borrowers would have been cash-flow insolvent.

For over one third of BBLS (35%) and CBILS/CLBILS (36%) borrowers who expect they would have been able to obtain other external finance in the absence of the Covid-19 Loan Guarantee Schemes, this alternative funding would not have met their cash-flow needs (respectively 14% and 17% of all BBLS and CBILS/CLBILS respondents in this analysis).

In the absence of the Covid-19 Loan Guarantee Schemes, would any funds from alternative sources of external finance have been received in a timely manner?

The fourth aspect of additionality covered in this study considers whether, conditional on external finance meeting all cash-flow needs, these funds would have been obtained in time for the business to make all payments that it made – i.e., whether the funds would have been received in a timely manner. If funds would not have been received in a timely manner, the loans received under the Covid-19 Loan Guarantee Schemes are classified as additional because, in their absence, businesses would have defaulted on some of their obligations. Among borrowers for which the loans were not additional according to the first three dimensions, 26% of BBLS borrowers and 25% of CBILS/CLBILS borrowers would not have received funds in a timely manner (respectively 7% and 8% of all BBLS and CBILS/CLBILS respondents).

Overall, 81% and 77% of BBLS and CBILS/CLBILS loans (respectively) were found to be additional based on one of the four additionality dimensions outlined above. To provide context, it was estimated that 63% of loans guaranteed by the Enterprise Finance Guarantee scheme were finance additional. However, this additionality rate cannot directly be compared with the Covid-19 Loan Guarantee schemes' additionality estimates for a number of reasons, including differences in methodology (e.g., different aspects of additionality are considered), and the fact that the credit conditions during the Covid-19 pandemic were different to those which prevailed at the time of the EFG evaluation.[98]

The share of businesses for which the loans were additional remain broadly similar across sectors, regions, size categories, and for ethnic minority- and female-led businesses. The main exceptions[99] to this pattern are higher additionality in Wales (BBLS and CBILS/CLBILS), Northern Ireland, Scotland (CBILS/CLBILS), and lower additionality for businesses with minority ethnic ownership (CBILS/CLBILS)[100] (Table 30 and Table 31 in Annex 3). It should be noted, however, that in the case of these exceptions, additionality rates are based on low base sizes (less than 30), so they should be interpreted with caution.

Additionality also remains broadly similar across time (i.e., when borrowers drew their loans) and lender types (the main exception being that among CBILS/CLBILS borrowers, additionality is 10 percentage points lower in the case of main banks, compared to all other lender types (Table 34)).[101]

Product market displacement

Product market displacement refers to the extent to which benefits from the Covid-19 Loan Guarantee Schemes in the form of increased business output (relative to a scenario without the

[98] London Economics (2017). Economic impact evaluation of the Enterprise Finance Guarantee (EFG) scheme.
[99] Sub-groups for which additionality differs from the above estimates by at least 10 percentage points are reported here.
[100] In these cases, additionality estimates are (respectively): 95%, 89%, 100%, 92%, 65%.
[101] This analysis should be treated with caution as many categories (lender types, time periods) have small base sizes. Most have therefore been aggregated. However, some of the aggregated categories still have small base sizes (for both BBLS and CBILS/CLBILS, the base sizes for the post-2020Q2 and other lenders is under 100, and sometimes under 50), so the results for post-2020Q2 and other lenders should still be interpreted with caution.

Covid-19 Loan Guarantee Schemes) occur at the expense of other businesses. For instance, the survival of businesses whose output could have been produced by competitors is not additional output. An estimate of product market displacement is therefore important to gauge the extent to which the Covid-19 Loan Guarantee Schemes have a net impact on economic output.

This report measures product market displacement based on three elements. First, it considers the extent to which the market in which borrowers operate is competitive (element I). Second, it explores the extent to which borrowers' sales would be taken up by competitors if they were to cease trading (element II). Third, it considers the location of competitors to assess the extent to which displacement occurs within the UK economy (element III).

It should be noted that the extent of product market displacement depends on the benchmark setting against which it is being assessed. Indeed, the competitive landscape may have changed since the beginning of the pandemic. Therefore, the first pillar is assessed both before and since the pandemic.[102] The other two elements are assumed to be constant because evidence from the survey pilot suggested that there was less variation in responses to the relevant questions depending on whether they referred to January 2020 or the period since the pandemic.[103]

Table 35 in Annex 3 explains how responses to relevant survey questions were mapped to quantitative figures (or 'displacement factors').[104] For each business, an overall displacement measure was calculated by multiplying the displacement factors from all three elements. Aggregate displacement was then computed by averaging business-level displacement.

Displacement from BBLS and CBILS/CLBILS is estimated to be 43% and 46% (respectively), which suggests that approximately 43% (46%) of the business activity preserved through BBLS'

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[102] The aggregate estimate of product market displacement is based on the pre-pandemic competitive landscape, but the change in market competition since the pandemic is explored below.
[103] These questions were omitted from the main fieldwork to minimise the survey length.
[104] It should be noted that it may be challenging for businesses to estimate the extent to which the production of similar output (e.g., by competitors) would continue if it were to cease trading. Likewise, it may be difficult for businesses to fully consider the extent to and ease with which their customers would switch to alternative providers, especially under monopolistic competition. Therefore, there is a risk that businesses may under-or over-estimate the extent to which other businesses would take up their sales if they were to cease trading. Also, while businesses should, in theory, take their expectations regarding their competitors' survival into account when answering this question, there is a risk that businesses implicitly assume survival of competitors when in fact their mortality may be correlated with that of their competitors. This could lead to an overestimation of displacement.

(CBILS'/CLBILS') impact on survival could have been absorbed by other businesses in its absence (Table 4).

For context, the 2017 evaluations of the Enterprise Finance Guarantee scheme estimated that 49% of business activity was product market displacing. Any comparisons between the current displacement estimates and from the EFG evaluation should be made with caution, given differences in methodologies, and general economic context.[105]

Furthermore, it should be noted that during much of the pandemic, economic output was below its potential as many businesses had the capacity to produce more than they could sell but were restricted or unable to operate due to social distancing measures that were in place (this is best exemplified by the hospitality sector). As social distancing measures were relaxed, businesses were initially able to increase their sales with little inflationary pressure by drawing on their spare capacity. However, as spare capacity became utilised, additional demand (e.g., 'pent-up' demand following a period of low consumption) combined with a number of supply-side constraints[106] began creating upward pressure on prices. Therefore, in the midst of the pandemic, any product market displacement was unlikely to occur immediately; however, it may become more noticeable as the economy approaches full capacity. This will be considered in the evaluation's value for money assessment.

Table 4 also contains the average displacement factors based on each of the three aforementioned elements of product market displacement for each of the Covid-19 Loan Guarantee Schemes.[107] The average displacement factor related to market competition is estimated at 58% in the case of BBLS and 63% in the case of CBILS/CLBILS, which suggests that, on average, market competition was moderate-to-intense. It should also be noted that the change in displacement factor since the pandemic began was very small (-1% in the case of BBLS and -3% in the case of CBILS/CLBILS), which suggests that any perceived changes in

[105] London Economics (2017). Economic impact evaluation of the Enterprise Finance Guarantee (EFG) scheme; Allinson, G., P. Robson, I. Stone (2013) Economic Evaluation of the Enterprise Finance Guarantee (EFG) Scheme.
[106] See for instance OECD (2021) *OECD Economic Outlook, Volume 2021 Issue 2*, OECD Publishing, Paris, https://doi.org/10.1787/66c5ac2c-en.
[107] As mentioned above, the aggregate displacement estimate is obtained by taking the product of displacement factors at the business-level, before averaging, rather than by taking the product of average displacement factors. Therefore, the estimates in the first column of Table 4 cannot be derived from the preceding three columns. Nevertheless, the figures provide an indication of how displacement breaks down according to its different pillars.

the competitive landscape faced by BBLS and CBILS/CLBILS borrowers were minor. Subsequent phases of the evaluation will seek to validate these findings.[108]

It is estimated that a substantial number of BBLS and CBILS/CLBILS borrowers would have had at least some of their sales taken up by competitors if they had ceased trading, as illustrated by a displacement factor of 73% and 78%, respectively. Moreover, most BBLS and CBILS/CLBILS borrowers tend to compete with UK-based businesses, and any displacement created by the Covid-19 Loan Guarantee Schemes is likely to mainly occur within the UK economy (95% and 90%, respectively).

Table 4: Product market displacement - by Covid-19 Loan Guarantee Schemes and displacement element

	Average product market displacement Overall	Average product market displacement Element I	Average product market displacement Element II	Average product market displacement Element III	Change in market competition*
BBLS	**43%**	58%	73%	95%	-1%
CBILS / CLBILS	**46%**	63%	78%	90%	-3%

*Pre-pandemic versus during pandemic. Base: All BBLS borrowers and CBILS/CLBILS borrowers who answered the related questions (base varies). Source: London Economics' analysis of survey data

Product market displacement remains generally similar across sectors, regions and for ethnic minority- and female-led businesses. The main exceptions[109] to this pattern are lower product market displacement in business services (CBILS/CLBILS), Northern Ireland, Wales (BBLS), and businesses with minority ethnic ownership (CBILS/CLBILS)[110] (Table 36, Table 37 and

[108] As secondary data for 2020 becomes available in subsequent phases of the evaluation, the sector-level correlation between this displacement factor and a Herfindahl-Hirschman Index (HHI) – a measure of market competition – will be explored as a validation exercise. A positive correlation would suggest that self-reported market competition from the survey is broadly consistent with observed competition, as measured by the HHI.
[109] Sub-groups for which product market displacement differs from the above estimates by at least 10 percentage points are reported here.
[110] In these cases, product market displacement estimates are (respectively): 35%, 33%, 33%, 31%.

Table 38 in Annex 3). It should be noted, however, that in the case of these exceptions, additionality rates are based on low base sizes (less than 30), so they should be interpreted with caution.

Impact of lending on businesses

This section focuses on the impact of the loans under the Covid-19 Loan Guarantee Schemes on borrowers. The first subsection describes how borrowers used the funds from their loans during the pandemic. The second and third subsections provide an early assessment of the impact of the Covid-19 Loan Guarantee Schemes on business survival, turnover, and employment.[111] These impacts will also be validated using secondary data when it becomes available in the subsequent phases of the evaluation and as medium- to long-term impacts (if any) materialise. The fourth subsection explores other emerging impacts of the Covid-19 Loan Guarantee Schemes, including whether they have led to the adoption or expansion of digital technologies, R&D, or actions to reduce carbon emissions.

In addition to the impacts that the Covid-19 Loan Guarantee Schemes may have had on borrowers' business outcomes, they may also have had spillover effects on non-borrowers, or other borrowers (e.g., through avoided supply chain or business disruptions). These wider impacts are currently unquantified but will be explored in subsequent phases of the evaluation.

Borrowers' use of the funds

Borrowers made use of the finance obtained through the Covid-19 Loan Guarantee Schemes in various ways, most commonly for 'working capital, cash-flow or day-to-day costs' (60% of BBLS borrowers and 68% of CBILS/CLBILS borrowers). In addition, the finance was used for purchasing materials or goods (30% and 24% respectively) and to pay staff salaries (21% and

[111] Labour productivity is also an outcome of interest for the evaluation and will be accurately measured once data covering the period after the Government's Coronavirus Job Retention Scheme (CJRS) is available. This is because businesses that have reduced their production and furloughed some of their employees will have experienced a reduction in turnover, but their employment may have remained constant (as furloughed workers are still employees). Hence, their labour productivity, as proxied by turnover divided by employment, may appear misleadingly low. The impact of the Covid-19 Loan Guarantee Schemes on that outcome will be estimated for reference year 2022.

23% respectively), indicating that the finance was mostly used for regular costs associated with the running of the business (Table 5).

Other uses were to provide financial security (34% and 32% respectively), or in relation to debt: to make any debt repayments (13% and 9% respectively) or for the consolidation of existing debt (7% and 3% respectively).[112,113]

A minority of borrowers used the finance to make changes to their business, including: changing their business model, for example moving to online service provision (4% and 2% respectively), introducing new or different goods or services as a result of new demand created by the Covid-19 pandemic (6% in each group), investing in digital capability (9% and 6% respectively) and making other adjustments to working practices, such as ensuring the workplace is Covid-19 safe (11% and 9% respectively) (Table 5).

When asked which was the main use of the finance, borrowers were most likely to say it was for 'working capital, cashflow, or day-to-day costs' (37% of BBLS borrowers and 46% of CBILS/CLBILS borrowers), followed by providing financial security (14% and 13% respectively). As noted above, some borrowers used the finance to make changes to their business, but this was rarely the main use (for example, 3% of BBLS borrowers and 2% of CBILS/CLBILS borrowers said the main use was to invest in digital capability).

[112] For context, research by the Bank of England found that approximately one third of indebted SMEs in the analysis dataset had sufficient cash to cover their debts, suggesting that some borrowing may be aimed at providing financial security. Bank of England (2021). *The impact of the COVID pandemic on SME indebtedness.* [Last accessed 09/12/2021]
[113] In subsequent phases of the evaluation, the extent to which businesses that used funds from the Covid-19 Loan Guarantee Schemes for financial security were able to repay their loans earlier than businesses that made other uses of the funds will be explored.

Table 5: How finance from the Covid-19 Loan Guarantee Schemes was used - Borrowers

How finance from Covid-19 Loan Guarantee Schemes was used	BBLS borrowers		CBILS/CLBILS borrowers	
	Any use	Main use	Any use	Main use
Working capital/cash flow/day to day costs/expenses	60%	37%	68%	46%
Provide financial security and/or headroom	34%	14%	32%	13%
Purchase of materials and/or goods	30%	10%	24%	8%
Other	24%	18%	21%	16%
Pay staff salaries	21%	5%	23%	8%
Make any debt repayments	13%	6%	9%	4%
Other adjustments to working practices (e.g., ensure workplace is Covid-19 safe)	11%	1%	9%	*
Invest in digital capability, such as digital platforms or communications, or to develop new products or services	9%	3%	6%	2%
Consolidation of existing debt	7%	1%	3%	*
Pay suppliers	7%	1%	5%	1%
Introduce new or different goods and services as a result of new demand created by the Covid-19 pandemic	6%	1%	6%	*
Change business model, e.g., moving to online service provision	4%	*	2%	*
Pay business rent	3%	*	3%	*

How finance from Covid-19 Loan Guarantee Schemes was used	BBLS borrowers		CBILS/CLBILS borrowers	
	Any use	Main use	Any use	Main use
Don’t know	*	*	1%	1%

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588) and CBILS/CLBILS borrowers (390). Source: London Economics’ and Ipsos’ analysis of survey data

Impact on business survival

The liquidity that was made available as part of the Covid-19 Loan Guarantee Schemes aimed to provide borrowers with a lifeline enabling them to honour their immediate obligations despite lower revenue. This report estimates the impact of the Covid-19 Loan Guarantee Schemes on businesses’ short-term survival. Subsequent reports will investigate impacts on longer-term survival.

To estimate the Covid-19 Loan Guarantee Schemes’ impact on the survival of businesses, this study compares the observed death rate of borrower businesses (i.e., having received a loan under one of the three Covid-19 Loan Guarantee Schemes) with an estimate of the counterfactual death rate according to a scenario under which the Covid-19 Loan Guarantee Schemes had not been in place. The difference between the two death rates is the estimated impact of the Covid-19 Loan Guarantee Schemes.

The observed death rate of borrower businesses in the first year is estimated using management information from BBB (see Annex 4 for more detail). The counterfactual death rate is estimated using a survey question which asked businesses to assess the likelihood with which they would have permanently closed before the end of last year if they had not received funding from the one of the Covid-19 Loan Guarantee Schemes.[114,115,116]

It is estimated that between 9.9% and 34.2% of BBLS borrowers and between 6.8% and 28.4% of CBILS/CLBILS borrowers that are still trading would have ceased trading if they had not received the funds from the Covid-19 Loan Guarantee Schemes.

The estimated counterfactual death rate decreases with size[117], which could reflect greater resilience of larger businesses and therefore a higher likelihood of survival even in the absence of the Covid-19 Loan Guarantee Schemes. The estimated counterfactual death rate is higher for businesses which are majority owned by individuals from an ethnic minority than other businesses.[118] The counterfactual death rate is lower for BBLS businesses that are majority owned by females than other BBLS businesses but higher for CBILS/CLBILS businesses that

[114] The use of self-reported data carries limitations – for instance, businesses may not recall precisely how their financial situation was during the reference period, and may remember it as having been worse or better than it was in practice.

[115] Two counterfactual death rates per Covid-19 Loan Guarantee Scheme are estimated – a lower bound and an upper bound. For the lower bound, survey respondents classified as businesses that would have closed in the absence of the Covid-19 Loan Guarantee Schemes include only those which answered that they would definitely have closed. The upper bound of the counterfactual death rate also includes businesses which said it is very likely or fairly likely that they would have closed. The base used in calculating the counterfactual death rates is made up of all respondents that were asked the relevant survey question (including those which answered that they did not know, or preferred not to say).

[116] It should be noted that the reference period of the survey question used in estimating the counterfactual death rate is the period up to the end of last year, whereas the reference period of the management information data (used to estimate observed death rates) is the period up to August 2021. However, given that the estimated observed default rates are very low (see following paragraphs), this difference in reference periods is unlikely to have a strong impact on results.

[117] The share of respondents expecting that they would have permanently closed in the absence of funding from BBLS is 10-43% for businesses with turnover under £50,000, 12-34% for businesses with turnover between £50,000 and £250,000, 5-30% for businesses with turnover between £250,000 and £1m, and 2-20% for businesses with turnover over £1m. The share of respondents expecting that they would have permanently closed in the absence of funding from CBILS/CLBILS is 14-34% for businesses with turnover under £500,000, 7-32% for businesses with turnover between £500,000 and £5m, 1-18% for businesses with turnover between £5m and £25m, and 0-8% for businesses with turnover over £25m.

[118] The share of respondents expecting they would have permanently closed in the absence of funding from BBLS is 18-58% for businesses majority owned by ethnic minority individuals and 9-32% for other businesses. The share of respondents expecting they would have permanently closed in the absence of funding from CBILS/CLBILS is 22-38% for businesses majority owned by ethnic minority individuals and 6-29% for other businesses.

are majority owned by females than other CBILS/CLBILS businesses,[119] and there is also some variation in the counterfactual death rate of businesses across regions[120] and sectors[121]

The estimated counterfactual death rate compares to very low observed death rates of 0.2% for borrower businesses under the Covid-19 Loan Guarantee Schemes. Therefore, it is estimated that an additional 9.9%-34.1% of BBLS borrowers (i.e., 146,000 to 505,000 businesses[122]) and 6.8%-28.3% of CBILS/CLBILS borrowers (i.e., 5,000 to 21,000 businesses[123]) could have ceased trading in 2020 had the Covid-19 Loan Guarantee Schemes not been in place.[124] Based on the survey results and BBB management information, it is estimated that 0.5 million to 2.9 million jobs could potentially have been lost in the absence of the Covid-19 Loan Guarantee Schemes.[125]

As a conservative benchmark with which to compare our survival estimates, a study by Brown and Cowling (2020) looking at precautionary savings of UK businesses pre-pandemic finds that 8.6% of businesses had no retained earnings whatsoever, leaving them at immediate risk of a liquidity crisis and consequent ceasing of business operations at the onset of the pandemic[126].

The low death rates of businesses in the recent aftermath of the Covid-19 Loan Guarantee Schemes' launch[127] may be a result of the recent cash injections from the Covid-19 Loan Guarantee Scheme loans, repayment holidays, amendments to insolvency law, as well as other

[119] The share of respondents expecting they would have permanently closed in the absence of funding from BBLS is 8-28% for businesses majority owned by females and 12-39% for other businesses. The share of respondents expecting they would have permanently closed in the absence of funding from CBILS/CLBILS is 12-33% for businesses majority owned by females and 4-28% for other businesses.
[120] Northern Irish businesses borrowing from both BBLS and CBILS/CLBILS had the lowest counterfactual death rate (in terms of lower bound) with an estimated counterfactual death rate of 0% for BBLS and CBILS/CLBILS. Welsh businesses borrowing from BBLS (25%), and London based businesses borrowing from CBILS/CLBILS (12%) had the highest counterfactual death rate (in terms of lower bound).
[121] In terms of the lower bound, BBLS businesses in the Business Services sector had the lowest counterfactual death rate (6%) and BBLS businesses in the Distribution sector had the highest counterfactual death rate (14%). In terms of the lower bound, CBILS/CLBILS businesses in the Other Services sector had the lowest counterfactual death rate (3%) and CBILS/CLBILS businesses in the Construction sector had the highest counterfactual death rate (9%).
[122] This is based on a total BBLS borrower population of 1,479,000 businesses.
[123] This is based on a total CBILS/CLBILS borrower population of 74,000 businesses.
[124] Because the counterfactual death rate is calculated based on the responses of surviving businesses, the estimated impact of the Covid-19 Loan Guarantee Schemeis calculated as follows: $impact = (1 - observed\ death\ rate) * counterfactual\ death\ rate$
[125] The calculation is explained in more detail in Annex 4.
[126] Brown, R., and Cowling, M. (2020). *Did you save some cash for a rainy Covid-19 day? The crisis and SMEs*.

[127] These compare to a pre-pandemic average business death rate of 10.8% in 2019, and 10.5% between 2014 and 2018. The latest deaths count provided by the ONS for 2019 are still provisional: ONS Business demography statistics.

business support measures related to the Covid-19 pandemic. Due to the BIP, it is likely that most defaults will materialise in later years rather than in 2020 and 2021. A research briefing prepared for the House of Commons[128] in December 2021 consolidates three types of statistics on business closures (namely, (i) the number of businesses removed from the ONS Interdepartmental Business Register (IDBR)[129], (ii) company dissolutions recorded by Companies House and (iii) insolvencies reported by the Insolvency Service[130]) and found that all three statistical measures show rates of business closure below-average during the first three quarters of 2020 while both IBDR closures and company dissolutions show a rise in business closures in the last quarter of 2020 and over 2021[131]. For example, between Q1-Q3 2021, the number of businesses removed from the IDBR was around 24% above the average for the same period in 2017-2019. However, the BEIS Business Population Estimates find that the most meaningful decrease was experienced by unregistered businesses: the number of unregistered businesses decreased by 11.9% (397,000) between 2020 and 2021 and led the corresponding overall 6.5% decrease in business population (390,000)[132].

Hence, it is likely that the estimated impact on business survival will decline in future years. Nevertheless, benefits from slowing business closures – thereby contributing to smoother death rates of businesses – will be considered in the economic evaluation.

It should also be noted that, while uncertainty around businesses' self-assessment of their survival prospects in the absence of the Covid-19 Loan Guarantee Schemes is partially reflected by the estimates being presented as a range, these estimates should be interpreted with caution as the underlying self-reported data has not yet been validated. Subsequent phases of the evaluation will seek to validate these estimates.

[128] Hutton, G., and Ward, M. (2021). Business statistics. House of Commons Library.
[129] The IDBR captures businesses that are registered for the VAT and/or on the PAYE system. This means it includes non-profit and public organisations, as well as unincorporated enterprises. This also means that it excludes most single-person led businesses with small turnover, which is the largest group of businesses that have gone through closure between 2020 and 2021 (Hutton and Ward, 2021).
ONS, Business demography, quarterly experimental statistics; Companies House, Incorporated companies in the UK July to September 2021; Insolvency Service, Monthly insolvency statistics, accessed 14 December 2021.
[131] Compared to the average for the same quarter between 2017 and 2019.
[132] BEIS (2021). *Business Population Estimates 2021*. The total business population decreased by 390,000 between 2020 and 2021: the decrease resulted from the decrease of 397,000 unregistered businesses, offset by an increase in non-employing registered businesses of 4,000 and an increase in employing businesses of 3,000.

Impacts on turnover and employment

Econometric models are used to quantify the impacts of the Covid-19 Loan Guarantee Schemes on businesses' turnover and employment. The econometric approach is based on the comparison of business outcomes of borrowers and a group of non-borrowers before and after the introduction of the Covid-19 Loan Guarantee Schemes (i.e., the policy intervention).

The group of non-borrowers against which the outcomes of borrowers are compared was chosen to be as similar as possible to the sample of borrowers to ensure that any differences in outcomes were most likely due to the Covid-19 Loan Guarantee Schemes' impacts rather than other differences between the two groups of businesses unrelated to the Covid-19 Loan Guarantee Schemes. To achieve this in practice, two steps were taken:

1. Non-borrowing businesses were screened during fieldwork based on whether they faced challenge or opportunities because of the Covid-19 pandemic. This aimed to ensure that non-borrowers were affected by the pandemic, thereby potentially creating similar financial or operational issues to those experienced by borrowers.[133]

2. Among the sample of non-borrowers, a 'control' group (i.e., a comparison group) was constructed based on their similarity to borrowers with respect to their pre-pandemic characteristics (e.g., turnover, sector, etc.) – described in Annex 5 – and the kinds of business obstacles encountered during the pandemic. This exercise is implemented through propensity score matching (PSM).[134] An important limitation of this method is that it does not allow to match borrowers and non-borrowers based on unobserved characteristics (e.g., attitudes to risk.). While the core econometric specification described below controls for time invariant unobserved heterogeneity (such as business culture), it does not control for unobservable factors that may vary over time (such as managerial quality).

The outcomes of the sample of borrowers and the control group are compared against one another both before and after the introduction of the Covid-19 Loan Guarantee Schemes. Comparing both groups before and after the introduction of the Covid-19 Loan Guarantee Schemes rather than afterwards only allows one to account for any pre-existing differences

[133] Indeed, being affected by the Covid-19 pandemic was one of the eligibility criteria of the Covid-19 Loan Guarantee Schemes.
[134] Table 41 and Table 42 compare the incidence of various characteristics across the borrower and non-borrower samples both before and after PSM, and show that the matching reduced differences across both samples.

between the two groups that may remain after steps 1 and 2 described above. A difference-in-differences (DiD) estimation framework is used to estimate such an impact on turnover and employment. Full details of the data used, and econometric approach are provided in Annex 5. The core specification for the difference-in-differences model is described by the following equation:

$$y_{it} = \beta_0 + \gamma T_i + \varphi I_t + \lambda(T_i * I_t) + \boldsymbol{\mu P_{it}} + f_i + \varepsilon_{it}$$

- y_{it} denotes the outcome variable (i.e., either log employment or log turnover). The two years included in the analysis are the last financial year before the pandemic and the latest financial year, allowing a comparison before and after the effects of the Covid-19 Loan Guarantee Schemes were realized.

- β_0 is a constant term.

- T_i is a dummy variable indicating whether a given business was part of the treated group or not.

- $\boldsymbol{I_t}$ indicates whether the observation is pre- or post-treatment

- $\boldsymbol{P_{it}}$ are a set of dummies controlling for participation in other support schemes. Further details on these variables can be found in Annex 5.

- f_i denotes unobserved time invariant factors which may influence the outcome variable. The use of the fixed effects estimator accounts for this unobserved heterogeneity.

- ε_{it} is the idiosyncratic error term. This captures factors which are not observed, and which change both across businesses and across time. Standard errors are clustered at the sector level to account for potential correlation in error terms across businesses in the same industry.

- γ, φ, λ and $\boldsymbol{\mu}$ are individual scalars/vectors of coefficients. λ is the estimate for the effect of the Covid-19 Loan Guarantee Schemes.

Results from the econometric analysis are presented below, in turn, for each outcome of interest. Two separate analyses are performed, one for BBLS and one for CBILS and CLBILS combined.[135]

The tables in the following subsections present the results from the DiD analysis estimating the impact of the Covid-19 Loan Guarantee Schemes on turnover and employment (respectively).[136]

The first variable "Post-intervention" in the model takes the value of one after the onset of the pandemic and its coefficient measures the change in turnover (or employment) among non-borrowers after the onset of the pandemic (this is assumed to be the change in turnover (or employment) that borrowers would have experienced in the absence of the policy intervention). The second variable "Borrower, post-intervention" in the model takes the value of one after the onset of the pandemic for the borrowing business sample only. It is the coefficient of interest as it isolates the impact of receiving a BBLS (or CBILS/ CLBILS) loan on turnover (or employment).[137] The two variables together measure the change in turnover (or employment) among borrowers.

In addition, to assess the robustness of results, the econometric model is re-run controlling for the possibility that certain businesses may have used other support schemes during the pandemic, such as the Coronavirus Job Retention Scheme (CJRS) or VAT deferral. The inclusion of these variables in the model is intended to minimise the risk that any impact of these other schemes is incorrectly attributed to the Covid-19 Loan Guarantee Schemes.

[135] This is because the number of respondents to the survey receiving a loan under CLBILS was insufficient to conduct analysis distinct from CBILS.

[136] Businesses were asked in the survey to provide turnover and employment figures for their latest complete financial year and their financial year prior to 23 March 2020. Given differences in financial years across businesses, a robustness check was carried out on the subsample of businesses actively identifying a financial year from April to March only. The statistical significance of the coefficient of interest does not change in most cases. One business was excluded from the sample on the basis that it identified itself as having a financial year of length not equal to one year.

[137] Usually, DiD models would also include a variable indicating whether businesses are borrowers – this would denote the estimate of pre-intervention differences between borrowers and non-borrowers. However, these differences are accounted for by the business-level fixed effects, so it is not included in the estimation. See Annex 5 for further details on fixed effects estimation.

Turnover

The econometric analysis does not find a statistically significant impact of the BBLS scheme or the CBILS/CLBILS schemes on borrowers' turnover (Table 6).[138] It should be noted that this estimated impact mostly excludes the impact on turnover from business survival (i.e., surviving businesses that would have permanently ceased trading in the absence of the Covid-19 Loan Guarantee Schemes).

This is consistent with the finding from the survey that a minority of businesses used the funds in ways likely to generate sales - less than 5% of BBLS borrowers and less than 3% of CBILS/CLBILS borrowers mainly used the funds from the Covid-19 Loan Guarantee Schemes in ways that were likely to maintain or expand sales,[139] and for those which did, the impact of these investments may only materialise in the medium term. In contrast, the main use of the funds by most borrowers (51% for BBLS and 59% for CBILS/CLBILS) was as working capital, or to provide financial security (e.g., in case more funds are needed). Therefore, at least in the first year, these funds were used in place of turnover (revenue from sales) and not to generate additional turnover.

The variable "Post-intervention" is negative and statistically significant in both models, and suggests that, on average, non-borrowers experienced a drop in turnover post-pandemic compared to the pre-pandemic period of 24% for BBLS and 25% for CBILS/CLBILS.[140] In addition, the fact that the estimated impact of the Covid-19 Loan Guarantee Schemes ("Borrower, post-intervention") is not statistically significant and small in magnitude suggests that borrowers experienced a similar drop in turnover compared to the pre-pandemic period. For context, research by the Bank of England (2021) on the impact of the pandemic and lockdown measures on two million SMEs' turnover and cashflows found that the pandemic coincided with a 30-percentage point fall in year-on-year turnover growth for the average SME

[138] In other words, the hypothesis that the gap between borrowers and non-borrowers did not change after the introduction of the Covid-19 Loan Guarantee Scheme could not be rejected with sufficient confidence. The threshold used to determine a 'sufficient' level of confidence is a 90% probability that the coefficient estimates are not different from zero simply due to chance.
[139] Uses of funds likely to maintain or expend sales include investing in digital capability, such as digital platforms or communications, or to develop new products or services (main use of funds for 3% of BBLS borrowers), introduction of new or different goods and services as a result of new demand created by the Covid-19 pandemic (1%), changing business model, e.g., moving to online service provision (less than 1%).
[140] Given that the dependent variable is expressed in logarithmic form, the percentage change in turnover associated with the variable "Post-intervention" taking the value of 1 is approximately equal to $(e^{\beta} - 1) \times 100$, where β is the regression coefficient of that variable.

in the sample over the period of April to December 2020.[141] Moreover, on average, 39% of the businesses surveyed as part of the Business Insights and Conditions Survey[142] reported that turnover was lower than normal[143] over the period between June 2020 and December 2021[144].

The inclusion of variables accounting for participation in other business support schemes such as the CJRS and VAT deferrals does not change statistical significance of the estimated impact (Table 6 - Models [2] and [4]). The coefficient related to CJRS use is statistically significant and negative for BBLS, but this does not suggest that CJRS results in decreased turnover.[145] Instead, it perhaps reflects that those businesses which relied on the CJRS are those which needed to scale down their activities. The magnitude of this effect is approximately 9%. For the CBILS/CLBILS model, the coefficient for CJRS use is not statistically significant. The coefficient related to the use of other[146] support scheme is statistically significant in the CBILS/CLBILS model, and the use of these schemes are associated with an additional 7% of turnover.

In order to explore whether results vary across sectors or geographically, or if there are varying impacts of the Covid-19 Loan Guarantee Schemes for ethnic minority- and female-led businesses, the impacts were also estimated according to these characteristics. The estimated coefficients of interest ("Borrower, post intervention") remain largely statistically insignificant (the London-specific coefficient in the CBILS/CLBILS model – negative and statistically significant – being an exception),[147] suggesting that the impact of the Covid-19 Loan Guarantee Schemes mostly did not differ across these groups (see Table 45, Table 47 and Table 49 in Annex 5).

[141] Hurley, J., Karmakar, S., Markoska, E., Walczak, E., and Walker, D. (2021). Impacts of the Covid-19 crisis: evidence from 2 Million UK SMEs. Bank of England, Staff Working Paper 924.
[142] Collected by the Office of National Statistics (ONS) and previously known as the Business Impact of Covid-19 Survey (BICS).
[143] Based on respondents' comparison of actual turnover to normal expectations at the same time of year.
[144] 39% represents an average taken across all fortnightly waves of the survey between June 2020 and December 2021.
[145] Propensity score matching is used to ensure that the characteristics of borrowers and non-borrowers in the sample are similar, but this is not done for CJRS users and businesses that did not use CJRS. As a result, the CJRS coefficient should not be interpreted causally.
[146] Other support schemes included were deferral of Self-Assessment payments, HMRC Time to Pay, Self-employed Income Support Scheme, 12-month business rates holiday for certain industries, Statutory Sick Pay relief and cash grants for small businesses.
[147] As reported in Annex 5, other coefficients are also statistically significant at conventional levels (i.e., 10% or lower). However, to account for multiple hypothesis testing, coefficients reported in the main text are significant based on a lower threshold – namely 10%, divided by the number of hypotheses being tested (Bonferroni correction). In the regressions exploring impacts by sector, region, and whether businesses are ethnic minority- or female-led, the thresholds for reporting are respectively 2%, 1.4%, and 5%.

Table 6: Estimated impact of the Covid-19 Loan Guarantee Schemes on turnover

Variable	BBLS		CBILS/CLBILS	
	[1]	[2]	[3]	[4]
Post-intervention	-0.269*** (0.046)	-0.203** (0.063)	-0.284*** (0.044)	-0.221** (0.060)
Borrower, post intervention	-0.025 (0.024)	-0.012 (0.033)	0.063 (0.062)	0.066 (0.072)
Used CJRS		-0.088* (0.037)		-0.122 (0.119)
Used VAT Deferral		0.053 (0.041)		0.006 (0.023)
Used Other Support		-0.075 (0.047)		0.068** (0.023)
Constant	12.546*** (0.026)	12.546*** (0.025)	14.903*** (0.013)	14.903*** (0.013)
Observations	1,640	1,640	1,114	1,114
R-squared	0.123	0.128	0.092	0.096
Business fixed effects	Yes	Yes	Yes	Yes

Standard errors clustered at the sector level in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1. Businesses were asked in the survey to provide turnover figures for their latest complete financial year and their financial year prior to 23 March 2020. Source: London Economics' analysis of survey data

Employment

The econometric analysis does not find a statistically significant impact of the Covid-19 Loan Guarantee Schemes on the number of people employed at businesses borrowing from one of the Covid-19 Loan Guarantee Schemes (Table 7). Again, it should be noted that this estimated impact mostly excludes the impact on employment from surviving businesses that would have permanently ceased trading in the absence of the Covid-19 Loan Guarantee Schemes.

The variable "Post-intervention" is statistically significant in the baseline models, indicating that there was a common change in employment among both borrower and non-borrower businesses between the pre and post intervention period.

The inclusion of variables accounting for participation in other business support schemes such as the CJRS and VAT deferrals does not change the statistical significance of the estimated impact (i.e., the coefficient on the variable "Borrower, post intervention"). The estimated coefficients on CJRS use are statistically significant and negative. CJRS use is associated with approximately 6% lower employment in the BBLS model and approximately 9% lower employment in the CBILS/CLBILS model. This is broadly consistent with the findings relating to turnover – perhaps reflecting that those businesses which participated in the CJRS are those which needed to scale down their activities. The coefficient on the use of VAT deferral by BBLS is positive and statistically significant at the 10% level.

For context, the UK employment rate (the proportion of 16-64 year olds in work) fell from 76.3% to 75.5% between Q1 2020 and the period of August to October 2021.[148] Employment levels fell throughout 2020 following the start of the pandemic but have begun to recover since January 2021.

As with turnover, the additional models providing estimates for the impact of the Covid-19 Loan Guarantee Schemes by sector and region and estimating any differential impacts of the Covid-19 Loan Guarantee Schemes for ethnic minority- and female-led businesses generally do not yield statistically significant results for the coefficients of interest, suggesting that the impact of the Covid-19 Loan Guarantee Schemes mostly did not differ across these groups (see Table 46, Table 48 and Table 50 in Annex 5).

[148] ONS. (2021). *Labour Market Overview*, October 2021.

Table 7: Estimated impact of the Covid-19 Loan Guarantee Schemes on employment

Variable	BBLS		CBILS/CLBILS	
	[1]	[2]	[3]	[4]
Post-intervention	-0.047* (0.022)	-0.012 (0.012)	-0.057** (0.015)	0.010 (0.017)
Borrower, post intervention	-0.014 (0.026)	-0.008 (0.024)	-0.006 (0.021)	0.004 (0.030)
Used CJRS		-0.062* (0.024)		-0.093*** (0.019)
Used VAT Deferral		0.024* (0.010)		-0.014 (0.032)
Used Other Support		-0.018 (0.032)		0.023 (0.022)
Constant	1.538*** (0.006)	1.538*** (0.004)	2.919*** (0.003)	2.919*** (0.004)
Observations	1,640	1,640	1,114	1,114
R-squared	0.041	0.054	0.042	0.058
Business fixed effects	Yes	Yes	Yes	Yes

Standard errors clustered at the sector level in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1. Businesses were asked in the survey to provide employment figures for their latest complete financial year and their financial year prior to 23 March 2020. Source: London Economics' analysis of survey data

Other impacts

This subsection investigates activities undertaken by borrowing and non-borrowing businesses (e.g., the adoption/expansion of digital technologies or innovative activities), as well as the impact of the Covid-19 Loan Guarantee Schemes' impact on borrowers' attitudes towards external finance.

Activities undertaken by borrowing and non-borrowing businesses

Borrowers reported various activities that they had undertaken since raising external finance from one of the Covid-19 Loan Guarantee Schemes. Overall, CBILS/CLBILS borrowers were more likely to have taken some form of action than BBLS borrowers (72% vs. 63%) (Table 8).

The most common actions were the adoption or expansion of digital technologies (34% of BBLS borrowers and 45% of CBILS/CLBILS borrowers), the development of new or modified goods or services (34% and 35% respectively), the development of new or modified processes or business models (33% and 38%) and building business resilience (31% and 38%) (Table 8).

Borrowers were also asked whether they would have been able to undertake the activities described above without the finance from the Covid-19 Loan Guarantee Schemes. In general, borrowers were more likely to state that without receiving finance from the Covid-19 Loan Guarantee Schemes, they would either not have been able to undertake these activities at all, or would have done so to a lesser extent (Table 39 and Table 40 in Annex 3).[149]

[149] These findings align with results of the Enterprise Research Centre's (ERC) research on the impact of UK Covid-19 emergency public support measures, i.e., the furlough funding and loan guarantees on businesses' future investment intentions and employee well-being during the pandemic. ERC (2021) Covid-19, business support and SME productivity in the UK.

Table 8: Activities undertaken since raising finance from the Covid-19 Loan Guarantee Schemes - Borrowers

Activities undertaken	BBLS borrowers	CBILS/CLBILS borrowers
Adoption/expansion of digital technologies	34%	45%
Research and development (R&D) activities (excluding R&D related to the environment)	21%	29%
Actions to reduce your business's carbon emissions (including R&D related to the environment)	17%	24%
The development of new or modified processes or business models	33%	38%
The development of new or modified goods or services	34%	35%
Building business resilience	31%	38%
None	37%	27%
Don't know	*	1%

Base: All BBLS borrowers (588) and CBILS/CLBILS borrowers (390). Source: London Economics' and Ipsos' analysis of survey data

Attitude towards external finance

Around one in five borrowers said that the external finance they obtained through the Covid-19 Loan Guarantee Schemes had increased the likelihood that they would seek further external finance in the next three years (19% of BBLS borrowers and 17% of CBILS/CLBILS borrowers). However, they were twice as likely to say the likelihood of seeking external finance had decreased (40% and 35% respectively) (Table 9).

Businesses were not asked to explain why their likelihood has decreased; however, approximately six in ten BBLS borrowers (57%) who used personal funds as a source of external finance in the past three years were much more likely to say their likelihood to seek external finances has decreased as a result of accessing BBLS, which may suggest a preference for not using external sources of finance. Similarly, BBLS borrowers with lower turnover (under £50,000) were more likely to say their likelihood has decreased (47% compared to 38% among BBLS borrowers with turnover over £50,000). Moreover, as this is likely to be the largest use of external finance in the past three years for most businesses, it is not surprising that they were less likely to want to hold more debt on their balance sheets.

This is also consistent with attitudes towards external finance amongst SMEs before the pandemic as appetite for external finance among SMEs was limited and stable over time. In the last quarter of 2019, 73% of SMEs reported that they would rather grow slower than borrow to speed up growth and 80% of SMEs reported making business growth plans based on what they could afford without access to external finance.[150]

In light of the above considerations, any attitudinal impacts of the Covid-19 Loan Guarantee Schemes are likely to materialise in the long term, after loans have been repaid.

[150] BVA BDRC (2020) SME Finance Monitor Q4 2019. [Online] Available at: http://www.bva-bdrc.com/wp-content/uploads/2020/03/BVABDRC_SME_Finance_Monitor_Q4_2019_FINAL.pdf [Accessed 2 February 2022]

Table 9: Impact of Covid-19 Loan Guarantee Schemes on likelihood of seeking external finance in next three years - Borrowers

Impact of Covid-19 Loan Guarantee Schemes on likelihood of seeking external finance	BBLS borrowers	CBILS/CLBILS borrowers
The external finance obtained through the scheme has definitely increased the likelihood to seek external finance	7%	6%
The external finance obtained through the scheme has probably increased the likelihood to seek external finance	12%	11%
No impact	37%	41%
The external finance obtained through the scheme has probably decreased the likelihood to seek external finance	20%	21%
The external finance obtained through the scheme has definitely decreased the the likelihood to seek external finance	20%	14%
Don’t know	4%	6%

Base: All BBLS borrowers (588) and CBILS/CLBILS borrowers (390). Source: London Economics’ and Ipsos’ analysis of survey data

Wider impacts

In addition to the impacts that the Covid-19 Loan Guarantee Schemes may have had on borrowers’ business outcomes, they may also have had spillover effects on non-borrowers, or other borrowers (e.g. through avoided supply chain or business disruptions). These wider impacts are currently unquantified but will be explored in subsequent phases of the evaluation.

Lessons for future emergencies

Given the key findings from the process evaluation, four key lessons for future emergencies are presented below.

1. **Loan guarantees:** The establishment of a large-scale loan guarantee programme proved an effective mechanism of providing rapid cashflow support to businesses facing financial distress during the Covid-19 pandemic. The Covid-19 Loan Guarantee Schemes allowed the public sector to leverage the significant infrastructure, capabilities, and capacity of private sector lending institutions. It is unlikely that the public sector could have delivered a programme of similar scale or at a similar speed from within its own resources.
2. **Targeting:** One threat to value for money arose from the removal of measures to target loan guarantees at businesses whose survival or stability was threatened by the Covid-19 pandemic. This could result in the public sector assuming the default risk on lending to businesses that did not need implicit subsidies to survive the pandemic. Mechanisms to target funding at businesses have the potential to significantly reduce the scale of the contingent liability assumed by the public sector and may have a role in the response to future emergencies.
3. **Pre-planning and pre-accreditation:** It was only possible to establish the Covid-19 Loan Guarantee Schemes quickly because there was an existing delivery template (the Enterprise Finance Guarantee). Transfer of the accreditation of EFG lenders to CBILS allowed lending capacity to be put in place rapidly following the announcement of economy wide interventions. However, some adverse outcomes (such as short-term effects on competitive dynamics) arose from the need to accredit additional lenders as EFG was based on delivery through lenders with a more traditional funding model. The establishment of an on-going emergency loan guarantee scheme that could be activated in the event of a future emergency (with a rolling accreditation process) could enable rapid intervention while reducing pressure on the public sector, avoiding adverse effects

on competition, and giving greater opportunity to implement fraud prevention mechanisms from the outset.

4. **Real-time information on financial health:** The government introduced adjustments to accelerate loan approvals based on its understanding of the financial impacts of the Covid-19 pandemic. This was built on both feedback from representatives of the business community and surveys of businesses. However, the government did not have access to detailed real-time information on the financial health of businesses applying for guaranteed loans through the Covid-19 Loans Guarantee Schemes (such as the depth of their reserves or their liquidity) that could have provided greater insight into the effects of social distancing restrictions on the cashflow and balance sheets of businesses and their potential resilience. Putting in place mechanisms to gather real-time data on the financial health of businesses could provide critical information to inform decision making in future crises, for example using the information to identify which sectors / groups of businesses would be most impacted by the pandemic and targeting the response accordingly. The most relevant real-time information is likely to be held by banking institutions, such as cash balances in current accounts and income and expenditures. Data sharing arrangements under Open Banking were not sufficiently progressed by March 2020 to provide the government with access to this type of information at the time it was needed. However, this could provide a fruitful avenue for exploration to aid future emergency planning and response.

Annex 1

This annex section provides a description of the final design of the three Covid-19 Loan Guarantee Schemes as well as the process evaluation framework that was developed following a comprehensive review of key documentation and wider published information, interviews, and a workshop with key stakeholders.

Final design of the Covid-19 Loan Guarantee Schemes

Table 10 describes the final design of the three Covid-19 Loan Guarantee Schemes.

Table 10 Final design of the Covid-19 Loan Guarantee Schemes

Design feature	CBILS	CLBILS	BBLS
Eligible sectors	All sectors (non-financial)[151]	All sectors (non-financial)[165]	All sectors (non-financial)[165]
Business turnover limit	£45 million	None – but a floor of £45 million	None
Maximum facility size	£5 million	£50m (Up to £200m for accredited Larger Scheme Facility lenders)	£50,000
Guarantee to the lender	80%	80%	100%
Interest rate	0% for borrowers for 12 months then as agreed (up to a	As agreed	0% for borrowers for 12 months,

[151] Banks, building societies, insurance, reinsurance businesses were ineligible, however other businesses within financial services were eligible for the schemes. In addition, primary and secondary education facilities, trade unions, political and religious organisation were also ineligible.

Design feature	CBILS	CLBILS	BBLS
	capped rate based on cost of capital)[152]		capped at HMT rate (2.5%) after[166]
Fee payable to HMT (for businesses)[153]	Zero	Zero	Zero
Effective portfolio cap[154]	None[155]	None	None
Cap on refinancing	20% may be increased up to 40%	20% may be increased up to 40%	No limit
Loans under £25k	Prior to BBLS launch – Yes Post BBLS launch - No	No	Yes

Process evaluation framework

Table 11 provides the process evaluation framework of the Covid-19 Loan Guarantee Schemes. This shows the key evaluation questions for each process, and the data sources which are used to provide evidence to answer the questions. The process evaluation framework was developed following a comprehensive review of Covid-19 Loan Guarantee Scheme documentation and wider published information, interviews with key stakeholders including BBB, BEIS and HM Treasury and a process evaluation workshop with key stakeholders. The process evaluation was developed alongside a detailed process map, which detailed all the mechanisms and processes used to design and deliver the Covid-19 Loan Guarantee Scheme.

152 The interest for the first 12 months is paid to the lenders by Government.
153 Although the fee payable to HMT is zero for businesses, there is a fee payable by lenders (the Scheme Lender Fee).
154 A portfolio cap is a limit on the value of the total portfolio that the Government will provide guaranteed support for.
155 Increased from an initial 60 percent

The final approach to the process evaluation differed slightly from the process evaluation framework set out below. This was due to the practicality and feasibility of some of the research tasks (for example it was not possible to engage with non-accredited lenders). The research tasks completed are set out in in the Process Evaluation section of the main report.

Table 11: Process evaluation framework

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
Scheme design	How effectively did government provide strategic direction in setting the objectives of the Covid-19 Loan Guarantee Schemes?												
	Were all potentially viable funding instruments considered?	Debt market interventions adopted by other advanced economies											
	Was evidence from international comparator schemes utilised in the design of the Covid-19												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	Loan Guarantee Schemes?			■	■	■							
	Was there an optimal mix of expertise involved in the development of the Covid-19 Loan Guarantee Schemes?					■							
	Were lenders adequately engaged in the design of the Covid-19 Loan Guarantee Schemes?	Number of lenders not seeking accreditation, disaggregated by type and size of lender	■	■		■	■		■				■
	To what extent was analysis, including economic modelling, useful as one of the	Difference between modelled and actual take-up and default rates	■	■									

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	information sets in informing the ongoing design (at the time of the design), delivery and monitoring of the Covid-19 Loan Guarantee Schemes?												
	How far did the Contingent Liability Checklist capture relevant risks about the Covid-19 Loan Guarantee Schemes?												
	How far did the Covid-19 Loan Guarantee Schemes complement	Number of borrowers obtaining funds from parallel programmes											

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	other government programmes designed to promote survival of businesses during the pandemic?[156]	% of borrowers accessing parallel programmes to fund similar costs											
	How far did addressable gaps in access to finance remain following the introduction of the Covid-19 Loan Guarantee Schemes?												
	How effectively has the scheme design evolved in light of (a) changes in												

[156] There will be a larger, overarching meta evaluation of BEIS Covid-19 intervention schemes – which this evaluation should coordinate with to ensure evidence for this question can be sources

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	the prevailing public health situation and (b) new information on potential delivery risks?												
Communication with lenders	Did the communication with lenders lead to a sufficiently large and diverse pool of lenders applying to take part in the Covid-19 Loan Guarantee Schemes?[157]	Number of applications for accreditation received Type and size of lenders making applications for accreditation Number and characteristics of non-applicants											

[157] A sufficiently large and diverse pool will be assessed by comparing the number of applicants for each type of lender to the total number of lenders in that category operating in the UK. These proportions will inform whether a sufficiently large pool applied and whether there were specific groups which did not apply.

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	How effectively did communications articulate the requirements of participation?												
Lender accreditation process	Did the application form collect all relevant information to inform a decision about accrediting a lender?												
	Was an accreditation decision made in a timely manner to allow the Covid-19 Loan Guarantee Schemes to	Timescales for approval											

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	proceed quickly and at scale?												
	How far did the lender accreditation process ensure that lenders took on appropriate levels of risk?	Default rates on guaranteed and unguaranteed lending											
	How far did the lender accreditation process ensure that lenders were otherwise suitable to deliver the Covid-19 Loan Guarantee Schemes (e.g., capital sufficiency)?												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	How effectively did the contract agreement control the risks associated with the delivery of the Covid-19 Loan Guarantee Schemes?	Outcomes of post-accreditation audits											
	Was the information and guidance provided for the accreditation process adequate in ensuring the process was completed in a straightforward manner?												
	How effective were the training modules in												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	providing staff with the skills and knowledge to deliver the Covid-19 Loan Guarantee Schemes?						■		■				
	Did the lender accreditation process lead to on-going effects on competition in the lending market?	Market share of accredited lenders					■		■	■			■
	Was the lender accreditation process proportionate?	Time spent by BBB staff on accreditation Time spent by lenders on accreditation				■	■		■				

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
Communication with businesses	How effective was the communication strategy in making businesses aware of the Covid-19 Loan Guarantee Schemes?	% of businesses aware of the BBLS, CBILS, and CLBILS schemes % of businesses reporting increased confidence in stability of economic system following Covid-19 Loan Guarantee Schemes' launch											
	Did the communication strategy provide sufficient information to businesses about the Covid-19 Loan Guarantee Schemes?												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
Application process	How effective was the information and guidance provided in explaining the requirements of the application process?												
	Was the time required to complete applications proportionate?	Average time spent by businesses to complete the application compared to a standard loan application											
Assessment of applications	Did the application forms collect sufficient evidence to inform a lending decision?												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	How did the application of the eligibility criteria channel resources towards otherwise viable businesses that would struggle financially during the pandemic?	Operating profitability pre-pandemic Depth of reserves / net assets Current ratio (current liabilities / current assets) % of borrowers forced to close trading as a result of Covid-19 % of borrowers seeing operational costs exceed revenues following the Covid-19 pandemic											

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
		Concentration of borrowers in sectors most affected by pandemic	■						■	■		■	■
	How effectively did the scheme design discourage excess risk taking or avoid other perverse incentives?	Default rates on guaranteed and unguaranteed lending Approval rates for existing / new customers	■	■		■	■		■				■

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
		% of businesses using loan proceeds for suitable purposes[158]											
	Were lending decisions made sufficiently rapidly?	Timescales for approval Timescales between approval and receipt of funds % of BBLS decisions meeting KPI (24 hours) % of businesses making decisions to downscale, wind-up, or incurring costs as a consequence											

[158] Suitable purposes would be defined as stated in the scheme designs – namely that the funds were to be used for business purposes (not personal use) to support UK based activity

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
		of time taken to approve loans	■			■		■	■	■		■	
	How effective was the training provided to lenders in providing their staff with the knowledge and skills to robustly assess applications in line with the requirements of the Covid-19 Loan Guarantee Schemes?			■		■			■				
Data transfer	How effective was the training provided by BBB in ensuring staff had the skills and experience to					■			■				

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	transfer data to the BBB data portal?												
	Was the BBB data portal developed in a timely manner to support the efficient sharing of data?	Date at which the portal became operational v expected date and date Covid-19 Loan Guarantee Schemes became operations											
	How effective was the BBB data portal in supporting the efficient transfer of data?												
	How responsive were BBB to queries about data sharing?												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	Was data shared in a timely manner?					■			■				
Data sharing	How effectively was data from the Covid-19 Loan Guarantee Schemes shared between government departments?			■		■							
	How effectively was data from other government Covid-19 Loan Guarantee Schemes shared with BEIS/BBB?			■		■							
Debt recovery (to be assessed in Y3	How effective have the approaches used by lenders been in securing	Default rates on loans Total debt recovered	■			■			■				

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
of the evaluation)	repayment from businesses?												
	How did approaches to secure repayment compare to business-as-usual practices?												
Monitoring (to be undertaken separately for each of the Covid-19 Loan Guarantee Schemes)	How effective was the data collected by BBB in monitoring the behaviour of lenders?	Number and nature of cases of lenders breaching contract (e.g., exceeding lending limit or lending to ineligible businesses) identified by the audit process											
	How useful is the data being reported to the working groups in												

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	governing the Covid-19 Loan Guarantee Schemes?					■	■		■		■		
	Is the external audit exercise proportionate to the value of the Covid-19 Loan Guarantee Schemes?					■	■		■		■		
	How effective is the audit exercise in monitoring lenders compliance with the rules of the Covid-19 Loan Guarantee Schemes?	Number and nature of cases of lenders breaching contract (e.g., exceeding lending limit or lending to ineligible businesses) identified by the audit process	■	■		■	■		■		■		

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	How effective are the processes to amend lender behaviour after detection of inappropriate lending?					■	■		■		■		
	How effectively were the behaviour of borrowers (i.e., use of loan proceeds for suitable purposes) monitored?		■	■		■	■		■		■		
Fraud detection (to be undertaken separately for each of the	Have all relevant organisations relating to fraud detection and prosecution been engaged by the Covid-			■		■	■		■		■		

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence: Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
Covid-19 Loan Guarantee Schemes)	19 Loan Guarantee Schemes?			■		■	■		■		■		
	Have sufficient resources been devoted to fraud detection?					■	■		■		■		
	How effective is the data collected (CIFAS) and data linking in detecting fraud cases?	Number of fraud cases detected from data analysis	■	■		■	■		■		■		
	How appropriate is the triage system for fraud cases in prosecuting and preventing fraud?	Number of cases prosecuted Number of convictions	■	■		■	■		■		■		
	How effective are the debt recovery activities in recovering	Value of money recovered from fraudulent claims	■	■		■	■		■		■		

Process evaluation and early impact assessment

Process group	Evaluation question	Key metrics	Sources of evidence										
			Monitoring data	BBB/BEIS/HMT documentation	Review of broader literature	BBB/BEIS/HMT stakeholders	Representatives of lending community	Representatives of business community	Lenders	BBLS, CBILS, and CLBILS applicants	Other government Departments and agencies	Survey of applicants	Secondary data (e.g., Companies House)
	fraudulently claimed monies?												

Annex 2

Primary data collection

This annex section provides technical details of the survey of Covid-19 Loan Guarantee Scheme borrowers and non-borrowers undertaken in the first year of the evaluation. It covers the sampling, fieldwork, and approach to weighting as well as a copy of the questionnaire to aid the interpretation of the findings.

Summary of methodology

To support the impact, economic and process evaluation, Ipsos undertook a quantitative survey (with telephone interviews as the primary data collection method) of 978 borrowers and 1,171 non-borrowers from 27 August and 20 December 2021.

The data have been weighted to be statistically representative of the loan populations (under the Covid-19 Loan Guarantee Schemes) as well as the overall business population (weighting is explained in detail below).

Businesses that reported that they did not experience any challenges (positive or negative) caused by the pandemic and public-sector organisations were outside the scope of the survey.

Survey and questionnaire development

Ipsos with input from London Economics developed the questionnaire and all other survey instruments (e.g., the interview script, reassurance email and interviewer briefing materials). BBB and BEIS had final approval of the questionnaire. Development of the survey took place over several stages from April to September 2021, including:

1) Stakeholder engagement, including a virtual workshop with the project steering group
2) A pilot survey, consisting of 143 interviews (105 Covid-19 Loan Guarantee Scheme borrowers, 38 non-borrowers).

3) A number of iterations pre and post pilot to reflect initial findings and further input from stakeholders and the group

Pilot survey

The pilot survey was used to:

- test the questionnaire CATI (computer-assisted telephone interviewing) script
- time the questionnaire
- test the usefulness of the interviewer briefing materials
- test the quality and eligibility of the sample (by calculating the proportion of the dialled sample that ended up containing usable leads).

Ipsos interviewers carried out the pilot fieldwork between 27 August and 7 September 2021. Quotas were applied to ensure the pilot covered borrowers of the three Covid-19 Loan Guarantee Schemes and non-borrowers. In total, 143 interviews were conducted, broken down as:

- 87 BBLS borrowers and 18 non-borrowers
- 14 CBILS borrowers and 18 non-borrowers
- 4 CLBILS borrowers and 2 non-borrowers.

The pilot sample was drawn from the same sample frames used for the main stage survey (see next section). In total, 4,408 leads were randomly selected for the pilot study.

The interview length for the pilot was 36 minutes for borrowers and 27 minutes for non-borrowers, both above the target for the main stage. Following feedback from the pilot survey, changes were made to the questionnaire including:

- Streamlining the survey introduction and emphasising the importance of taking part
- Deleting various questions identified as less critical to the evaluation and/or those that can be explored in year two or three of the study or information accessed from elsewhere (such as secondary business statistics).

A copy of the final questionnaire used in the main survey is provided in the final subsection to this annex.

There were no substantial post-pilot changes other than cuts to the questionnaire. Therefore, the 143 pilot interviews were included with the final data where possible.

Sampling

Sample frames

Two sample sources were used for borrowers.

- Firstly, Ipsos undertook two surveys for the British Business Bank in 2020 with borrowers across all three Covid-19 Loan Guarantee Schemes. This generated a recontact sample of 1,525 BBLS, 130 CBILS and 4 CLBILS borrowers:
  - The last two groups fell out naturally from a wider survey of SMEs and mid-cap businesses and were not specifically targeted.
- Secondly, BBB shared a random sample of the wider population of borrowers with Ipsos.

For the control group of non-borrowers, sample was selected from three sources:

- For the BBLS and CBILS non-borrowers sample frames, the Dun & Bradstreet (D&B) business database was used.
- For the CLBILS non-borrower sample frame, the Inter-Departmental Business Register (IDBR) was used for businesses with a turnover threshold over £45 million.
- For non-borrowers of all three Covid-19 Loan Guarantee Schemes, recontact sample from the 2020 BBB Business Finance Surveys was also used.

Non-borrowers were selected to be representative of the overall population of businesses that were eligible for the three Covid-19 Loan Guarantee Schemes. They were similar to borrowers in that they have all faced challenges or opportunities because of the Covid-19 pandemic, thereby increasing the likelihood that both groups of businesses have faced similar financial and operational issues during the reference period of the evaluation.

Ipsos carried out telephone tracing (matching the sample frame data to the Dun & Bradstreet database and to any publicly available data sourced from LinkedIn) to fill in the gaps where possible. The sample was also cleaned to remove any duplicate telephone numbers.

At the same time as this survey, Ipsos was also carrying out another business survey with a potentially overlapping sample – the 2021 SME Finance Survey. The project team therefore flagged overlapping sample leads across surveys, so telephone interviewers could avoid contacting the same organisations in quick succession for both surveys, and minimise the burden on respondents.

After preparing the sample for fieldwork (e.g., de-duping, removing incorrect numbers), c. 8,500 leads for borrowers and c. 29,000 leads from non- borrowers were made available for fieldwork.

Given the small population of CLBILS borrowers and non-borrowers, extensive manual sample improvement was also carried out for these groups. This involved looking up relevant contact names and numbers online and on LinkedIn (on publicly available pages) wherever possible. This was done in two stages – firstly, ahead of main fieldwork, and again throughout the fieldwork period (when more of the sample was found to have unusable numbers or switchboard numbers which were replaced by direct numbers where possible).

A breakdown of available leads by sample group is provided in Table 12 below. The number of assumed leads was based on the information provided in the brief and available from BBB's official sources. Sample received represents the volume of sample received from BBB or other sources (outlined above). The number of leads available for fieldwork refers to the number of records available after telephone number matching and deduping of records.

Table 12: Sample volumes

		No. of assumed leads	Sample received	Deduped/ removed[159]	Available for fieldwork	Completed interviews
BBLS	Borrowers	1,725	32,535	22,858	9,035	588
	Non-borrowers	15,000	30,500	n/a	22,957	895[160]
CBILS	Borrowers	1,230	26,788	16,929	9,918	358
	Non-borrowers	6,500	30,500	n/a	22,957	512[161]
CLBILS	Borrowers	804	636	181	455	32
	Non-borrowers	6,000	7,126	4,471	5,487	131

As Table 12 shows, whilst a sufficient number of leads for BBLS and CBILS borrowers were received, the volume of CLBILS borrowers and CLBILS non-borrowers was lower than anticipated. Only 636 leads of CLBILS borrowers were received (rather than 800 estimated), of which, there were only 494 unique businesses. After a substantial number matching process (automatic and manual), 455 businesses were made available for fieldwork. The low volume of sample available (as well as the longer interview length) resulted in lower than predicted number of interviews across these groups. The full details are outlined in the subsequent section.

The project team chose to increase the number of BBLS and CBILS non-borrowers' sample available to mitigate against the anticipated difficulty in reaching businesses during the Covid-19 pandemic. The project team wanted to ensure that there was enough reserve sample to meet the size-by-sector and regional survey targets.

The sample was proportionately stratified by region and disproportionately stratified by size and sector. An entirely proportionately stratified sample would not allow sufficient subgroup analysis

[159] Multiple schemes, do not contact and no number matched.
[160] Due to the overlap in the eligibility criteria, a business could qualify as both a BBLS and CBILS non-borrower, further details are outlined in the weighting section of this note.
[161] Due to the overlap in the eligibility criteria, a business could qualify as both a BBLS and CBILS non-borrower, further details are outlined in the weighting section of this note.

by size and sector. For example, it would effectively exclude all medium and large businesses from the selected sample, as they make up a very small proportion of the BBLS and CBILS borrowers. Therefore, disproportionate sample targets were set for micro (1 to 9 employees), small (10 to 49 employees), medium (50 to 249 employees) and large (250 or more employees) businesses. Specific sectors were also boosted to ensure findings for all sector groupings could be reported.

Post-survey weighting corrected for the disproportionate stratification (see section on weighting).

Fieldwork

Ipsos carried out the main stage fieldwork from 16 September to 21 December 2021 primarily using a telephone survey[162]. However, the business disruption from Covid-19 has made it more difficult to reach employers over the phone. Therefore, the option to complete the survey online was provided, which has proven effective in other business surveys throughout the pandemic.

In total, interviews were completed with:

- 588 BBL borrowers and 895 non- borrowers
- 358 CBIL borrowers and 635 non- borrowers
- 32 CLBILS borrowers and 140 non- borrowers.

Given the algorithm used to assign businesses as BBLS and CBILS non-borrowers, it is possible for a business to be assigned to both. The average interview length was 31 minutes for borrowers and 27 minutes for non-borrowers. The interview length was c.10 minutes over the original expected length for each group which resulted in a lower co-operation rate among businesses.

[162] 2,113 interviews were completed over the phone and 36 were completed online.

Screening of respondents

Interviewers screened all sampled organisations at the beginning of the call to identify the right individual to take part and ensure the business was eligible for the survey. At this point, the following organisations would have been removed as ineligible:

- organisations that identified themselves as part of the public sector
- non-borrowers with a turnover under £8,000[163]
- non-borrowers who said they did not face any challenges or opportunities as a result of the pandemic[164].

Interviewers specifically asked for the senior individual with the most responsibility for financial decisions in the organisation. The interviewer briefing included guidance on likely job roles and job titles for these individuals, which would differ based on the type and size of the organisation.

For UK businesses that were part of a multinational group, interviewers requested to speak to the relevant person in the UK who dealt with financial decisions at the company level.

A higher than anticipated proportion of business were screening out of the survey due to perception that they did not face issues caused by the pandemic (non-borrowers), they had obtained finance through one of the Covid-19 Loan Guarantee Schemes at the time of the interview (non-borrowers), their turnover was outside of the specified criteria (non-borrowers) or they had applied for finance from a different Covid-19 Loan Guarantee Scheme to that indicated in the sample or applied to multiple Covid-19 Loan Guarantee Schemes (borrowers).[165]

[163] The minimum amount businesses were able to borrow under a BBLS was £2,000, which, combined with the fact that businesses could borrow at most 25% of their turnover meant that the minimum turnover of businesses using this scheme was £8,000.
[164] The wording of this question was changed mid-fieldwork from a yes/no answer to a more detailed scale due to a high proportion of businesses screening out.
[165] Screening criteria were adjusted mid fieldwork to increase the eligibility of businesses taking part. All eligible businesses who had previously screened out (e.g., those assigned as non-borrowers who had accessed one of the schemes) have been re-contacted again and asked to complete an interview again.

Maximising participation

For this survey, several steps were undertaken to maximise participation in the survey and reduce non-response bias:

- Each organisation loaded in the main survey sample was called multiple times, or until an interview was achieved, a refusal given, or information obtained to make a judgment on the eligibility of that contact. For example, this outcome was used when respondents had requested to be called back at an early stage in fieldwork but had subsequently not been reached.
- Each piece of sample was called at different times of the day, throughout the working week, to make every possible attempt to achieve an interview. Evening and weekend interviews were also offered if the respondent preferred these times.
- An option to complete the survey online was included for businesses who preferred to take part in this way. Some of the CBILS borrowers and all of the CLBILS borrowers with a direct email address were emailed a link to the survey. All businesses who started the online survey but did not complete it also received a follow up phone call encouraging them to finish the survey.
- Interviewers could send a reassurance email to prospective respondents if the respondent requested this. Once the online survey was launched, a link to the online survey was also included allowing businesses to complete the survey online. All partial online completes were also followed up by interviewers to encourage them to complete the remaining questions.
- Ipsos set up an email inbox and free (0800) phone number for respondents to be able to contact to set up appointments or, in the case of the phone number, take part there and then in interviews.
- Where email addresses were available for the sample for organisations, several warm-up and reminder emails were also sent to the hardest to reach groups across the course of fieldwork to let businesses know that an Ipsos interviewer would attempt to call them. Where possible, manual searches for personal email addresses and direct contact names were also undertaken.

- Ipsos regularly reviewed the volume of invalid phone numbers and manually searched for alternative contact details and named contacts.
- Ipsos sent text messages with further details about the project to businesses who expressed interest in taking part.
- Ipsos introduced incentives (£10 charity donations) for CLBILS non-borrowers to encourage participation in the survey.

Fieldwork monitoring

Ipsos is a member of the interviewer Quality Control Scheme recognised by the Market Research Society. In accordance with this scheme, the field supervisor on this project listened into at least 10 per cent of the interviews and checked the data entry on screen for these interviews.

Fieldwork outcomes and response rate

The project team monitored fieldwork outcomes and response rates throughout fieldwork, and interviewers were given regular guidance on how to avoid common reasons for refusal. Table 13 shows the final outcomes and the adjusted response rate calculations.

Table 13: Sample outcomes

Outcome	Borrowers	Non-borrowers
Completed interviews	978	1,171
Refused	1,067	2,931
Unusable numbers[166]	957	5,618
Unusable leads with working numbers[167]	2,901	7,999

166 This is sample where the number was in a valid format, but which turned out to be wrong numbers, fax numbers or disconnected.

167 This includes sample where there was communication difficulty making it impossible to carry out the survey (either a bad line, or language difficulty), as well as numbers called multiple times over fieldwork without ever being picked up.

Outcome	Borrowers	Non-borrowers
Working numbers with unknown eligibility[168]	2,529	10,021
Screened out (Total)[169]	140	704
Total (called at least once)	8,572	28,444

Cooperation rates, fieldwork challenges and expected impact on the survey reliability

The cooperation rate[170] was 48% for borrowers and 29% for non-borrowers. The lower co-operation rates are likely to be due to a combination of unique circumstances brought about by the Covid-19 restrictions, long questionnaire, screening criteria, as well as the ongoing challenge of declining response rates in survey fieldwork in general. This survey's fieldwork overlapped with various Covid-19 restrictions that affected the operations of most UK businesses. These restrictions, together with other challenges outlined above meant:

- It was harder to reach organisations via landline numbers as many switchboards were no longer running or had a skeleton service.
- The sample volume for CLBILS borrowers was lower than anticipated which made reaching the original targets more challenging.
- There were no named contacts provided in the borrower sample which made it more challenging to identify the relevant person and role.
- When an interviewer did get through, it was harder to reach the right individual within the organisation, who may have been working remotely rather than in an office, or may have been placed on furlough. Company policies for not sharing contact details also seemed to have become stricter.

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[168] This includes sample that had a working telephone number but where the respondent was unreachable or unavailable for an interview during the fieldwork period, so eligibility could not be assessed.
[169] This includes businesses who did not provide consent, non-borrowers who did not face any financial challenges or those who obtained finance through one of the schemes/multiple schemes or non-borrowers with a turnover under £8,000.
[170] The cooperation rate has been calculated as: (completed interviews + incomplete interviews) / (completed interviews + incomplete interviews + refusals). This is the proportion who took part in the survey, among those who were reached and screened.

- Where an interviewer did reach the right person, these individuals were often busier due to the strain of the pandemic and consequently less willing to take part in surveys in general.
- The long interview length (c.31 minutes for borrowers and 27 minutes for non-borrowers) also affected the co-operation rate.

Data processing and weighting

Editing and data validation

There were a number of logic checks in the script, which checked the consistency and likely accuracy of answers. If respondents gave unusually high or low numeric answers (such as turnover or value of external finance sought) relative to the size of their organisation, the interviewer would read out the response they had just recorded and double-check this is what the respondent meant to say.

Nonetheless, individual outliers in the data can heavily affect the estimates. Therefore, the research team manually checked the final data for outliers and called back/listened back to responses where necessary to validate the answers.

Coding

The verbatim responses to unprompted questions could be coded as “other” by interviewers when they did not appear to fit into the predefined code frame. These “other” responses were coded manually by Ipsos’ coding team, and where possible, were assigned to codes in the existing code frame. It was also possible for new codes to be added where enough respondents had given a similar answer outside of the existing code frame. The Ipsos research team verified the accuracy of the coding, by checking and approving each new code proposed.

Weighting

Two weighting schemes have been designed, one for borrowers and non-borrowers (BBLS and CBIL/CLBILS combined) and another weighting scheme for all businesses who answered the survey. The individual schemes and approach are outlined in detail below.

Weighting scheme for borrowers and non-borrowers

Both borrowers and non-borrowers were weighted to be representative of the profile of each Covid-19 Loan Guarantee Scheme – BBLS and CBILS/CLBILS combined. The first step was to identify non-borrowers for each of the Covid-19 Loan Guarantee Schemes, BBLS and CBILS/CLBILS combined. The BBLS and CBIL/CLBILS non-borrowers had been drawn as a single sample and needed to be allocated to their respective groups, based on turnover.

BBLS non-borrowers were defined as businesses not in receipt of one of the Covid-19 Loan Guarantee Schemes with a turnover less than £5 million. This cut off was derived from the population data as 99% of BBLS borrowers had a turnover less than £5 million.

CBILS non-borrowers were defined as businesses not in receipt of a BBB Covid-19 Loan Guarantee Schemes that had a turnover greater than £175,000 but less than £45 million. CLBILS non-borrowers were defined as business not in receipt of a facility under one of the Covid-19 Loan Guarantee Schemes that had a turnover greater than £45 million. As with the BBLS borrowers, population data were used to identify a sensible cut-off; around 4% of CBILS/CLBILS loan borrowers in both population data and our sample had a turnover less than £175,000, hence setting this value as the lower cut-off ensured the control sample would cover the same range of turnovers as the borrowers. Any business with a cut-off higher than £45 million was identified as a CLBILS non-borrower.

This resulted in all potential BBLS and CBILS non-borrowers being used. There were 895 BBLS non-borrowers and 512 CBILS non-borrowers. Some overlap was allowed between BBLS and CBILS non-borrowers, meaning 367 businesses are non-borrowers for both the BBLS and CBILS analysis and are given two weights. A further 131 businesses with high turnover over £45 million were CLBILS non-borrowers, these non-borrowers did not overlap with either of the other non-borrower groups. However, for most analyses CLBILS non-borrowers were combined with CBILS non-borrowers.

The group weights were run using rim weighting. This uses an iterative procedure to adjust the sample to ensure the weighted profile of the sample matches the population for a set of weighting targets. The weighting was run separately for borrowers and non-borrowers. The weighting targets were sector, region, and turnover. Both borrowers and non-borrowers were weighted to the same set of targets meaning, once the weights are applied, the borrowers and non-borrowers have the same profile for sector, region, and turnover.

Different annual turnover bands were used for BBLS and CBILS/CLBILS to reflect the range of turnovers covered by each group. The following four grouped bands were used for BBLS: <£50,000; 50,000-<100,000; 100,000-<250,000; 250,000+, whilst the following three grouped bands were used for CLBILS (fewer bands were used because the CBILS sample size was smaller): <£1 million; £1 million-< £5 million; £5 million+.

The grouping of turnover bands means that weighted frequencies of non-borrowers that use a finer breakdown of turnover (i.e., turnover for BBLS that includes categories that splits out the £250,000+ band into £250,000-<£500,000 and £500,000+ for example) may not exactly match the weighted frequencies of the borrowers.

A further set of weights were generated for the combined sample of CBILS and CLBILS.

Weighting scheme for all respondents

The sample of all respondents was weighted to be representative of the overall population of businesses that were eligible for any of the three Covid-19 Loan Guarantee Schemes.

The first step was to generate starter weights for BBLS, CBILS and CLBILS borrowers and non-borrowers. For borrowers, this starter weight was the weight generated for the group analysis (outlined above) which weighted the borrower samples to their respective populations by sector, region, and turnover. The BBLS group weight was used for the BBL borrowers and the joint CBILS and CLBILS group weight was used for the CBILS and CLBILS borrowers.

The combined non-borrower population was weighted together in a single step to population estimates of all non-borrower businesses. BEIS provided a set of population estimates for businesses from the IDBR. These were used to identify the number of businesses by region, sector, and turnover for all businesses with turnover greater than £8,000 (at which point the business became eligible for a scheme).

The number of loan borrowers was taken from official figures[171]. The number of non-borrowers was then calculated as the number of businesses minus the number of borrowers. The

[171] https://www.gov.uk/government/collections/hm-treasury-coronavirus-Covid-19-business-loan-scheme-statistics

combined non-borrowers were weighted to these figures. These weights were the non-borrower sample starter weight.

The three starter weights (BBLS borrowers, CBILS and CLBILS borrowers, and all non-borrowers) were then each scaled to their corresponding populations. The borrower population sizes were each taken from the official figures provided by the BBB (based on facilities, rather than businesses). The non-borrower population size was the estimates size of the non-borrower population calculated by subtracting the BBB Covid-19 loan population figures from the BEIS figures. As above, there will be some discrepancies due to the BBB figures being based on facilities, rather than businesses and the BEIS figures including VAT-registered businesses only.

The three scaled starter weights are then combined into a single weight. The scaling step means each of the three groups (BBLS borrowers, CBILS and CLBILS borrowers, and combined non-borrowers) are in their correct population proportions when the weights are combined. These weights are then re-scaled to give a mean weight of one and ensure that the weighted sample size matches the unweighted sample size. A small amount of trimming was carried out to remove a small number of outliers that had high weights. The trimming helps to reduce the variability of the weights which reduces the impact of weighting on the design effects.

Recontact rates

All respondents were asked whether they agree to be recontacted again for further research in subsequent years. Overall, c.75% business said that they are willing to be contacted again (detailed breakdown is outlined in Table 14 below). Target number of interviews for Year 2 will be reviewed and agreed ahead of the fieldwork.

Table 14: Proportion of business willing to be recontacted (by Ipsos)

	No. of completed interviews	No. of business wo agreed to be recontacted	%
BBLS borrowers	588	480	82%
CBILS borrowers	358	244	68%

	No. of completed interviews	No. of business wo agreed to be recontacted	%
CLBIL borrowers	32	24	75%
Non-borrowers	1,171	833	71%
Overall	**2,149**	**1,605**	**75%**

Questionnaire

Evaluation of the BBLS, CBILS and CLBILS Loan Beneficiary and Non-Beneficiary Survey

SAMPLING INFO FOR SCRIPTER:

1 "CLBIL 21-004216-01 CLBILS Recontact CONFIDENTIAL"

2 "CLBIL 21-004216-01 CLBILS Sample CONFIDENTIAL "

3 "CBIL 21-004216-01 CBILS Recontact CONFIDENTIAL"

4 "BBL 21-004216-01 BBLs Recontact BBLS survey CONFIDENTIAL "

5 "BBL 21-004216-01 BBLs Recontact SME CONFIDENTIAL"

6 "BBL CBILS 21-004216-01 BBLS_CBILS_sample_post-SS_STRICTLY CONFIDENTIAL "

7 "CON 21-004216-01 Control Recontact CONFIDENTIAL"

8 "CON 21-004216-01 Control group sample from SS BBL CBIL CONFIDENTIAL "

9 "CON 21-004216-01 IDBR CONTROL CONFIDENTIAL "

LOAN APPLICANTS: FILES 1,2,3,4,5,6

CONTROL GROUPS: FILES 7,8,9

Key

- Anything that appears static on the interviewer screen in black
- **QUESTION/NEW SCREEN LABELS IN BOLD CAPS**
- Any scripting instructions and text substitutions in red
- Any interviewer instructions / text that should be removed for web survey in green

FOR WORD INSERTS USE THROUGHOUT:

FILE 1 OR 2: **Coronavirus Large Business Interruption Loan Scheme**

FILE 3 and 6 (LOAN TYPE = CBIL): **Coronavirus Business Interruption Loan Scheme**

BBL= 4, 5 and 6 (LOAN TYPE = BBL): **Bounce Back Loan Scheme**

IF NO EMPLOYEES OR MICRO BUSINESS INDICATED: ASK TO SPEAK TO OWNER/ MANAGING DIRECTOR.

IF SMALL/MEDIUM SIZED OR LARGE BUSINESS: ASK TO SPEAK TO FINANCE DIRECTOR

ADD IF NECESSARY: **This may be** [INSERT INDIVIDUAL NAME FROM SAMPLE]

[SCREEN 1]

SHOW IF LOAN RECIPIENTS AND NEW SAMPLE (2,6):

READ OUT IF CATI ONLY

It's XX calling from Ipsos MORI, an independent research organisation. Your business has been selected to take part in a survey because you applied for external finance from the [INSERT LOAN FROM SAMPLE: **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**]. **We are conducting the survey on behalf of the UK Government's British Business Bank, part of the Department for Business, Energy & Industrial Strategy (BEIS).**

SHOW IF LOAN RECIPIENTS OR RECONTACT SAMPLE (1, 3,4,5,7):

READ OUT IF CATI ONLY

It's XX calling from Ipsos MORI, an independent research organisation. You may remember that we spoke to you last autumn and you kindly said that you would be willing to participate in future research. We are conducting the survey on behalf of the UK Government's British Business Bank, part of the Department for Business, Energy & Industrial Strategy (BEIS). We would like to find how UK businesses like yours have been impacted by the current crisis.

SHOW IF CONTROL GROUP NEW SAMPLE (8,9):

READ OUT IF CATI ONLY

It's XX calling from Ipsos MORI an independent research organisation. Your business has been selected to take part in a survey we are conducting on behalf of the UK Government's British Business Bank, part of the Department for Business, Energy & Industrial Strategy (BEIS).

SHOW TO LOAN RECIPIENTS (1-6):

The survey should take around 30 minutes to complete. You will be asked questions about your business, your use of different forms of finance, the impact of Covid-19, [the INSERT LOAN FROM SAMPLE: **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme], its impact on your business], the market(s) in which you operate and general business factors.**

SHOW TO CONTROL GROUP (7-9):

The survey should take around 25 minutes to complete. You will be asked questions about your business, your use of different forms of finance, the impact of Covid-19, the market(s) in which you operate and general business factors.

[SCREEN 2]

[CATI: **I] [**WEB: **We] can reassure you that your answers and other information you provide will be treated in the strictest confidence and answers will not be attributed to you or your business in the data we pass on to the British Business Bank unless you give explicit permission to do so.**

Anonymised findings from the survey will be published on the British Business Bank website in 2022.

IF NECESSARY/INFO BUTTON FOR ONLINE SURVEY:

The British Business Bank is the UK government's economic development bank. Established in November 2014, its mission is to make finance markets for smaller businesses work more effectively, enabling those businesses to prosper, grow and build UK economic activity. Its remit is to design, deliver and efficiently manage UK-wide smaller businesses' access to finance programmes for the UK government.

The British Business Bank's core programmes supported nearly £8bn of finance to almost 95,000 smaller businesses by end of January 2021. Since March 2020, the British Business Bank has also launched four new Coronavirus business loan schemes, delivering more than £72bn of finance to over 1.5m businesses.

This survey will inform how the Bank can help businesses learn about and access finance more easily.

If you would like to find out more about where you can get support and information during the current Covid-19 outbreak, please visit this site: https://www.british-business-bank.co.uk/finance-hub/

REASSURANCES IF NECESSARY:

- SHOW FOR LOAN RECIPIENTS (SAMPLE 1-6): **Your business has been selected at random from the list of** [INSERT LOAN FROM SAMPLE **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme] customers. Your details were provided by your lender to the British Business Bank who manage the government-backed guarantee.**
- SHOW FOR RECONTACT SAMPLE (SAMPLE 1,3,4,5,7): **Your business has been selected because you took part in a survey for the British Business Bank in autumn and agreed to be contacted about future research.**

- SHOW FOR CONTROL GROUPS (SAMPLE 7-9): **Your business has been selected at random from** [D&B sample:] **Dun and Bradstreet, a commercial business database** [IDBR sample]: **the Office for National Statistics Inter-Departmental Business Register.**
- SHOW FOR ALL: **We work strictly within the Market Research Society Code of Conduct.**
- SHOW FOR ALL: **British Business Bank is interested in the views of all different types of businesses.**
- SHOW FOR ALL: **We need to talk to a wide range of businesses in this survey and you will not be asked irrelevant questions.**
- SHOW FOR ALL: **The survey is not technical, and you don't need any specific finance-related knowledge to take part.**
- SHOW FOR ALL: **We can share some of the questions with you by email, to help you find the right person to take part.**
- SHOW FOR ALL: **Should you wish to get verification on the survey, the contact at Ipsos MORI is [Jamie Roberts] on [+44 (0)20 3059 5116], and the contact at British Business Bank is [Chris Warner] on [**+44 (0)20 3905 1494**].**
- SHOW FOR ALL: **Further information on British Business Bank evaluations can be accessed online at** https://www.british-business-bank.co.uk/about-our-evaluations/

NOTE FOR DP: IF RESPONDENT REQUESTS SEND ADVANCE EMAIL/DATASHEET WITH FURTHER INFORMATION/ADVANCE NOTICE OF FINANCIAL QUESTIONS THAT THEY MAY PREFER TO LOOK UP IN ADVANCE. RECORD PARTICIPANTS WHO HAVE BEEN SENT A DATASHEET.

CAN YOU PLEASE LOG HOW MANY PEOPLE REQUEST AND ADVANCE EMAIL AND/OR A DATA SHEET IN THE OUTCOME FILE?

[SCREEN 3]

Q_VOLUNTARY.

ASK ALL

Before we start, I want to clarify that participation in the survey is voluntary and you can change your mind at any time. Please note that there are questions which asks you to describe your ethnic origin, age, health condition and gender identity, however you are free to not answer. Are you happy to proceed with the interview? IF NECESSARY: **If you would like to read the Privacy Notice beforehand you can access it online at** ADD PRIVACY NOTICE LINK

ASK ALL

ASK IF CATI

S1. Can I just check the business name that we have for you is [INSERT TRADING NAME]**, is this correct?** IF NO: **Can you please tell me the correct business name?**

ASK IF WEB

S1. The business name that we have for you is [INSERT TRADING NAME]**, is this correct?** IF NO: **Please can you provide us with the correct business name?**

INTERVIEWER NOTE FOR LOAN RECIPIENTS: IF THE RESPONDENT SAYS THEY HAVE MORE THAN ONE BUSINESS, AND THAT IT DOESN'T INCLUDE THE ONE NAMED HERE, SAY THAT FOR THE PURPOSE OF THIS SURVEY WE ARE INTERESTED IN ONE OF THEIR BUSINESSES FOR WHICH THEY SOUGHT EXTERNAL FINANCE THROUGH THE [INSERT LOAN FROM SAMPLE, FILES 1-6: **Bounce Back Loan Scheme /Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**].

INTERVIEWER NOTE FOR CONTROL GROUP: IF THE RESPONDENT SAYS THEY HAVE MORE THAN ONE BUSINESS, AND THAT IT DOESN'T INCLUDE THE ONE NAMED HERE, SAY THAT FOR THE PURPOSE OF THIS SURVEY WE ARE INTERESTED IN ONE OF THEIR BUSINESSES WITH [BBL: turnover in last financial year between £30,000 AND £45million], [CBIL: turnover in last financial year between £85,000 AND £25million] and [CLBIL: turnover in last financial year over £45million]

Yes	1
No – WRITE IN CORRECT NAME	2
Don't know	98

ASK ALL

We will be focussing on [INSERT BUSINESS NAME FROM SAMPLE IF CODE 1 AT S1 OR FROM SCRIPT IF CODE 2 AT S1] **throughout this interview.**

ASK ALL

S2. [CATI: Can I just check, are] [WEB: Are] you able to answer questions about the business's financial performance and its finance needs?

Yes	1	CONTINUE
No – transfer	2	TRANSFER AND RETURN TO INTRO FOR CATI SCREEN OUT FOR WEB
No – they are unavailable	3	ASK FOR NAME OF CORRECT RESPONDENT TO CALL. THANK AND CLOSE

ASK ALL

S3. Over the past 18 months, did your business face any challenges or opportunities as a result of the Covid-19 pandemic?

PROMPT IF NECESSARY: By this we mean putting staff on furlough, accessing a government or local authority grant, experiencing a fall in demand, facing any operational challenges, increase in costs or unexpected business expenses, and/or business constraints resulting from social distancing and/or lockdowns. This could also include an unexpected rise in demand as a result of the pandemic.

MULTICODE ONLY

INTERVIEWER IF ANSWER IS NO: PLEASE PROBE FULLY AND EXPLORE ANY ISSUES BUSINESSES MIGHT HAVE FACED. EVEN IF THEY DID NOT NEED FINANCIAL HELP, PUTTING STAFF ON FURLOUGH COUNTS AS AN ISSUE

Yes – major challenge(s)	1	CONTINUE
Yes – major opportunity(ies)	2	CONTINUE
Yes – minor challenge(s)	3	CONTINUE
Yes – minor opportunity(ies)	4	CONTINUE
No	5	THANK AND CLOSE IF CONTROL GROUP(SAMPLE 7-9), IF RECIPIENT (SAMPLE 1-6) ALLOW TO CONTINUE
Don’t know	98	THANK AND CLOSE IF CONTROL GROUP (SAMPLE 7-9), IF RECIPIENT (SAMPLE 1-6) ALLOW TO CONTINUE

ASK ALL

S4. What was the approximate turnover of your business in the latest completed financial year?

INTERVIEWER ADD IF NECESSARY / INFO BUTTON ON ONLINE SURVEY: **Turnover is the total income received by the business from all sales of goods and services charged to third parties.** ENTER NUMBER. ALLOW ZERO, DK AND REFUSED
DATASHEET

TYPE IN AMOUNT IN £

ALLOWED RANGE 0-999,999,999

INTERVIEWER NOTE: PLEASE READ BACK FIGURE TO RESPONDENT AND DOUBLE CHECK CORRECT NUMBER OF ZEROS

IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

£

Don’t know 98

Refused 99

IF CONTROL GROUP: THANK AND CLOSE IF TURNOVER IS UNDER £8,000

ASK IF DON'T KNOW TURNOVER (98) AT S4

S5. AA Would it have been…? READ OUT UNTIL GET AN ANSWER. SINGLE CODE ONLY

Less than £8,000	SCREEN OUT IF CONTROL GROUP, CONTINUE IF RECIPIENT 1
£8,000 or more, but below £50,000	2
Less than £50,000	3
£50,000 or more, but below £100,000	4
£100,000 or more, but below £250,000	5
£250,000 or more, but below £500,000	6
£500,000 or more, but below £1 million	7
£1 million or more, but below £5 million	8
£5 million or more, but below £10 million	9
£10 million or more, but below £25 million	10
£25 million or more, but below £45 million	11
£45 million or more, but below £100 million	12
£100 million or more, not more than £500m	13
More than £500 million	14
Don't know	98
Refused	99

ASK IF DON'T KNOW (CODE 98) AT S5

S6_AA. [CATI: **Could you tell me] [**WEB: **Do you know] if your business' turnover in the latest completed financial year was?** F DON'T KNOW PROMPT FROM SAMPLE

Less than £1 million	1
More than £1 million but not more than £45 million	2
More than £45 million, but not more than £500 million	3
More than £500 million	4
Don't know	98
Refused	99

ASK ALL – REPEAT S4-S6 AND ASK:

S5S6_BB. in the last completed financial year ending prior to the Covid-19 pandemic (i.e. before 23 March 2020) …?

REPEAT OPTIONS FROM S4, THEN S5, S6

SCRIPTING INSTRUCTION NEW CONTROL GROUP VARIABLE S6DV:

IF CONTROL GROUP AND TURNOVER BETWEEN £8,000 AND £45 million: ASSIGN TO BBL CONTROL GROUP

IF CONTROL GROUP AND TURNOVER BETWEEN £85,000 AND £25 million: ASSIGN TO CBL CONTROL GROUP

IF CONTROL GROUP AND TURNOVER OVER £45 million: ASSIGN TO CLBIL CONTROL GROUP

ASK ALL

S7.

IF LOAN RECIPIENT (SAMPLE 1-6):

And can I confirm your business obtained finance through the [INSERT LOAN FROM SAMPLE FILES 1-6: **Bounce Back Loan Scheme /Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**] **in 2020 or 2021?**

IF CONTROL GROUP (SAMPLE 7-9):

And have you or your business obtained finance through one of the Government schemes available to business during the Covid-19 pandemic such as the Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) or Coronavirus Large Business Interruption Loan Scheme (CLBILS)?

IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **Bounce Back Loan Scheme (BBLS) typically provided financial support to smaller businesses across the UK that were losing revenue, and seeing their cashflow disrupted, as a result of the Covid-19 outbreak. You could apply for a value of up to £50,000.**

IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **The Coronavirus Business Interruption Loan Scheme (CBILS) supported businesses across the UK with turnover of £45 million or less that were losing revenue, and seeing their cashflow disrupted, as a result of the Covid-19 outbreak. Through CBILS, businesses could access financial support of up to £5 million if they had been adversely affected by Covid-19.**

IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **The Coronavirus Large Business Interruption Loan Scheme (CLBILS) provided finance to mid-sized and larger UK businesses with a group turnover of more**

than £45 million (the upper limit for CBILS, which focused on smaller businesses) that were suffering disruption to their cashflow due to lost or deferred revenues during the Covid-19 outbreak.

MULTICODE OK.

Yes – the Bounce Back Loan Scheme (BBLS)	1	CONTINUE IF RECIPIENT (SAMPLE 1-6), CLOSE IF CONTROL GROUP (SAMPLE 7-9) AND NO CRN PROVIDED, IF CRN IS PROVIDED ALLOW AS LOAN RECIPIENT
Yes – the Coronavirus Business Interruption Loan Scheme (CBILS)	2	CONTINUE IF RECIPIENT (SAMPLE 1-6), CLOSE IF CONTROL GROUP (SAMPLE 7-9) AND NO CRN PROVIDED, IF CRN IS PROVIDED ALLOW AS LOAN RECIPIENT
Yes- Coronavirus Large Business Interruption Loan Scheme (CLBILS)	3	CONTINUE IF RECIPIENT (SAMPLE 1-6), CLOSE IF CONTROL GROUP (SAMPLE 7-9) AND NO CRN PROVIDED, IF CRN IS PROVIDED ALLOW AS LOAN RECIPIENT
No, none of these	4	CLOSE IF RECIPIENT (SAMPLE 1-6), CONTINUE IF CONTROL GROUP (SAMPLE 7-9)
Don't know	98	CLOSE IF RECIPIENT, CONTINUE IF CONTROL GROUP (SAMPLE 7-9)

SCREENOUT IF MORE THAN ONE CODE 1- 3 WERE SELECTED

IF CONTROL GROUPS ANSWER CODES 1-3 AND THEY HAVE A CRN/COMPANY REGISTRATION NUMBERS IN THE SAMPLE, THEY WILL NO LONGER SCREEN OUT BUT WILL BE ALLOWED TO CONTINUE AS ONE OF THE RECIPIENT GROUPS.

FOR THE REMAINING QUESTIONNAIRE, THEY NEED TO BE TREATED AS RECIPIENTS AND BE SHOWN ALL OF THE RELEVANT QUESTIONS, FOR SUBS, WE'LL USE WORDING BASED ON THE SCHEME THEY SELECTED AT S7.

FOR LOAN RECIPIENTS, IF ANSWER AT S7 IS DIFFERENT TO SAMPLE INFO: Our data shows that your business accessed funds from [SAMPLE SCHEME], do you recall accessing funds from [SAMPLE SCHEME]?

SINGLE CODE ONLY

1. Yes
2. No

IF YES: For the remaining questions, please think about the [SAMPLE scheme] when answering.

IF NO: Please close.

S7=1-3

S8a. How many times did you apply for [INSERT LOAN FROM SAMPLE OR FROM S7]?

WRITE IN EXACT NUMBER OR ACCEPT BANDED REPLY IF NOT SURE. [RANGE = 1-100]

S8.

[FOR LOAN RECIPIENTS, FILES 1-6]

In addition to [INSERT LOAN FROM SAMPLE**], did you** [ADD IF LOAN RECIPIENT, FILES 1-6 **also] apply for external finance from these other Government schemes available to business during the Covid-19 pandemic…?:**

[FOR CONTROL GROUPS, FILES 7-9]

Did you apply for external finance from these other Government schemes available to business during the Covid-19 pandemic…?:

MULTICODE OK, ROTATE – HIDE OPTION FROM S7 FOR LOAN RECIPIENTS

1. the Bounce Back Loan Scheme (BBLS)
2. the Coronavirus Business Interruption Loan Scheme (CBILS)
3. the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

INTERVIEWER NOTE: AT THIS POINT, WE WOULD LIKE TO SCREEN OUT BUSINESSES THAT WERE ALLOCATED TO THE CONTROL GROUP FOR A GIVEN SCHEME AND WERE UNSUCCESSFUL WITH THEIR APPLICATION FOR THAT SCHEME. FOR EXAMPLE, IF A BUSINESS IS ALLOCATED TO THE CONTROL GROUP FOR CBILS AND WAS REJECTED FROM CBILS, THEY WOULD BE SCREENED OUT. UNSUCCESSFUL APPLICATIONS TO BBLS WOULD NOT LEAD TO THE BUSINESS BEING SCREENED OUT IN THIS CASE.

SINGLE CODE ONLY. READ OUT FOR EACH OPTION.

SCRIPTING INSTRUCTION: PLEASE SCREEN OUT ANY WHO WAS SUCCESSFUL AND RECEIVED TO DIFFERENT LOANS (code 4) – I.e. BBL= 4 and CBIL =4, TWO LOANS OF THE SAME TYPE (e.g. CBIL + CBIL) ARE ALLOWED

No, did not apply	1	CONTINUE IF **RECIPIENT (FILES 1-6)**, CONTINUE IF CONTROL GROUP (S6DV=1-3)

Yes, applied but later withdrew my application	2	CONTINUE IF **RECIPIENT (FILES 1-6)**, CONTINUE IF CONTROL GROUP (S6DV=1-3)
Yes, application was not successful	3	CONTINUE IF **RECIPIENT (FILES 1-6)**, IF CONTROL GROUP GO TO E8 AND THEN CLOSE (S6DV=1-3)
Yes, and my application was successful	4	CONTINUE IF **RECIPIENT (FILES 1-6)**, IF CONTROL GROUP GO TO E8 AND THEN CLOSE (S6DV=1-3)
Don’t know	98	CONTINUE IF **RECIPIENT (FILES 1-6)**, CLOSE IF CONTROL GROUP (S6DV=1-3)
Refused	99	CONTINUE IF **RECIPIENT (FILES 1-6)**, CLOSE IF CONTROL GROUP (S6DV=1-3)

SCRIPTING INSTRUCTION: FOR CONTROL SAMPLE, PLEASE SCREEN OUT ANY WHO WAS SUCCESSFUL AND RECEIVED TWO DIFFERENT LOANS (code 4) – I.e. BBL= 4 and CBIL =4, TWO LOANS OF THE SAME TYPE (e.g. CBIL + CBIL) ARE ALLOWED, RECIPIENT SAMPLE TAKE INFO FROM SAMPLE INSTEAD

ASK ALL

S9. What is the current trading status of your business? MULTICODE **OK** 1-2 AND 6. READ OUT.

Continuing to trade in the same goods, services and/or markets as before the start of the Covid-19 pandemic	1
Continuing to trade but in new goods, services and/or markets as before the start of the Covid-19 pandemic	2
Has temporarily closed or temporarily paused trading [EXCLUSIVE]	3
In the process of closing down permanently [EXCLUSIVE]	4
Permanently closed [EXCLUSIVE]	5
Other [PLEASE TYPE IN]	6
Don’t know	98
Refused	99

ASK ALL THAT ARE TEMPORARILY OR PERMANENTLY CLOSED (CODE 3 TO 5) AT S9

S10. To what extent do you feel the decision to close your business is attributable to the Covid-19 pandemic? REVERSE SCALE 1-5. SINGLE CODE ONLY. READ OUT.

Completely	1
A great deal	2
A fair amount	3
Not very much	4
Not at all	5
Don't know	98
Refused	99

ASK ALL NEW SAMPLE (FILES 2,6,8,9)

S11. Is your business … IF CLOSED (S9=5): Was your business… SINGLE CODE ONLY. READ OUT / SHOW A TO E**?**

A. A private sector business	1	CONTINUE
B. A public sector organisation	2	CLOSE
C. A social enterprise or profit with purpose enterprise (run primarily for social objectives or with any surpluses being used to further these objectives)	3	CONTINUE
D. A voluntary sector/non-profit-making organisation	4	CONTINUE
E. Other type of organisation [PLEASE TYPE IN]	5	CONTINUE
Don't know	98	CONTINUE
Refused	99	CONTINUE

ASK ALL

S12. [CATI: **Can I check] was your business' last financial year (i.e. full, finalised accounting period) April 2020 to March 2021?** SINGLE CODE ONLY

Yes	1
No	2
Don't know	98
Refused	99

ASK IF FINANCIAL YEAR NOT APRIL 2020 TO MARCH 20201 OR DON'T KNOW (CODE 2 OR 98) AT S12

S13. Can [CATI: **I] [**WEB: **you] confirm in which month and year did the business' last full, finalised accounting period end?** IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **The accounting period is the period for which the full financial statements are prepared and balanced. Generally, the accounting period is 12 months long, but it can be shorter or longer.** INTERVIEWER NOTE: WE ARE INTERESTED IN

THE LAST FINANCIAL YEAR EVEN IF THE BUSINESS IS STILL TO FILE A FINANCIAL STATEMENT FOR THAT YEAR. CODE MONTH AND YEAR

SINGLE CODE ONLY: MONTH

1. January
2. February
3. March
4. April
5. May
6. June
7. July
8. August
9. September
10. October
11. November
12. December
98. Don't know
99. Refused

SINGLE CODE ONLY YEAR

A. 2020
B. 2021
98. Don't know
99. Refused

ASK IF CLOSED (CODE 4 OR 5 AT S9) AND FINANCIAL YEAR NOT APRIL 2020 TO MARCH 20201 OR DON'T KNOW (CODE 2 OR 98) AT S12

S14. And [CATI: can I check is] [WEB: is] your business' financial year 12 months?

IF CLOSED (S9=5): Was your business' financial year 12 months?

SINGLE CODE ONLY

Yes - 12 months	1
No – longer/shorter than 12 months WRITE IN NUMBER OF MONTHS IF NOT 12 MONTHS	2
Don't know	98
Refused	99

SCRIPT CHECK: IF RESPONDENT SAYS LESS THAN 12 MONTHS, THE ANSWER AT S13 CANNOT BE MARCH TO CURRENT MONTH MINUS ONE

ASK ALL

S15AA. How many people did your business employ across all sites in the UK, either full or part time, including yourself at the end of your latest completed financial year? Please include working directors, partners, managers, people who work away from the site Do not include outside contractors, agency staff

or self-employed contractors. WRITE IN EXACT NUMBER OR ACCEPT BANDED REPLY IF NOT SURE. [RANGE = 1-99,999]

Don't know 98

Refused 99

ASK IF DON'T KNOW (CODE 98) AT S15

S16AA. Which of the following best describes the total number of people employed at the end of your latest completed financial year, including yourself? READ OUT. SINGLE CODE ONLY

SHOW TO BBLS/CBILS SAMPLE (FILES 3 TO 6) ONLY: Just yourself	1
SHOW TO BBLS/CBILS SAMPLE (FILES 3 TO 6) ONLY: 2-4	2
SHOW TO BBLS/CBILS SAMPLE (FILES 3 TO 6) ONLY: 5-9	3
SHOW TO BBLS/CBILS SAMPLE (FILES 3 TO 6) ONLY: 10-24	4
SHOW TO BBLS/CBILS SAMPLE (FILES 3 TO 6) ONLY: 25-49	5
SHOW TO CLBILS SAMPLE (FILES 1 TO 2) ONLY: 1-49	6
50-249	7
SHOW TO BBLS/CBILS (FILES 3 TO 6) SAMPLE ONLY: 250 or more	8
SHOW TO CLBILS SAMPLE ONLY (FILES 1 TO 2): 250-999	0
SHOW TO CLBILS SAMPLE ONLY (FILES 1 TO 2): 1,000-2,499	10
SHOW TO CLBILS SAMPLE ONLY (FILES 1 TO 2): 2,500-4,999	11
SHOW TO CLBILS SAMPLE ONLY (FILES 1 TO 2): 5,000 or more	12
Don't know	98
Refused	99

ASK ALL.

REPEATS S15-16 FOR:

S1516BB. How many people were employed at the end of your latest completed financial year ending prior to the Covid-19 pandemic (i.e. 23 March 2020)?

REPEAT ALL OPTIONS AT S15 AND S16

ASK ALL NEW SAMPLE (FILES 8,9)

S17. What is the legal status of your business? IF CLOSED (S9=5): What was the legal status of your business…? SINGLE CODE ONLY

IF SOLE PROPRIETORSHIP/TRADER (CODE 1) THEN ASK: **Can [**CATI: **I] [**WEB: **you] just confirm that there are** [IF CLOSED **(S9=5): were**] **no other owners involved in running the business except yourself?** IF THERE ARE OTHER OWNERS THEN PLEASE RE-CODE AS A PARTNERSHIP (CODE 4). IF SOLE PROPRIETORSHIP/TRADER (CODE 1) AS WELL AS SAID THEY HAD TWO OR MORE EMPLOYEES AT S15/16_AA (CODE 2-12) THEN PLEASE CHECK WITH THE RESPONDENT THAT BOTH ANSWERS ARE CORRECT AND RE-CODE AS NECESSARY

Sole Proprietorship/sole trader	1
Private limited company, limited by shares (LTD.)	2
Public Ltd Company (PLC)	3
Partnership	4
Limited liability partnership	5
Private company limited by guarantee	6
Friendly Society or a co-operative	8
Other (PLEASE TYPE IN)	11
Don’t know	98
Refused	99

ASK ALL NEW SAMPLE (FILES 2,6,8,9)

S18. We have [DESCRIPTION OF BUSINESS ACTIVITY FROM SAMPLE] **as a broad description of your company’s activity. Does this sound about right to you?** SINGLE CODE ONLY

INTERVIEWER NOTE: SEE SECTOR CRIB SHEET

Yes	1
No	2
Don’t know	98
Refused	99

ASK IF NOT CORRECT OR DON’T KNOW (CODE 2) AT S18

S19. What is your main business activity? **IF CLOSED (S9=5): What was your main business activity?** PROBE AS NECESSARY

- What is **[IF CLOSED S9=5):** was] the main product or service of the business?
- What exactly is [**IF CLOSED S9=5):** was] made or done in the business?
- What material or machinery does [**IF CLOSED S9=5):** did] this involve using?

INTERVIEWER NOTE: SEE SECTOR CRIB SHEET. WRITE IN FULL DETAILS (2 DIGIT SIC CODING).

ASK ALL NEW SAMPLE (FILES 2,5,8,9)

S20. How many years has your business been [IF CLOSED S9=5): **was your business] = trading? This includes all ownerships and all legal statuses.** INTERVIEWER ADD IF NECESSARY/ SHOW AS INFO BUTTON FOR ONLINE SURVEY **In the case of a past acquisition, refer to when the acquiring enterprise was registered. In the case of a merger, please consider the largest enterprise in terms of employment.** SINGLE CODE ONLY

Less than one year	1
1 year	2
2 years	3
3 years	4
4 years	5
5 years	6
6-9 years	7
10-15 years	8
16-20 years	9
More than 20 years	10
Don’t know	98
Refused	99

SECTION A - EXPERIENCE OF USING FINANCE AND BBB LOANS

SHOW ALL LOAN RECIPIENTS (FILES 1-6)

The next few questions are about the external finance you have obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**] **and other types of finance your business might be using.**

SHOW TO CONTROL GROUP (S6DV):

The next few questions are about the types of external finance your business might be using.

ASK ALL LOAN RECIPIENTS (FILES 1-6)

A1. In addition to the external finance you have obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme]/the Recovery Loan Scheme,** are you using/have you used within the last three years any other forms of **external finance?**

ROTATE ORDER OF A TO R (ITEM C SHOULD ALWAYS FOLLOW ITEM B). MULTICODE OK. READ OUT A TO K.

SCRIPTING: AUTOMATICALLY CODE 0 (BBLS/CBILS/CLBILS) AS YES FOR ALL LOAN RECIPIENTS.FOR ONLINE, PLEASE SHOW AS YES/NO QUESTION.

0	DO NOT ASK: [INSERT LOAN FROM SAMPLE (FILES 1-6): Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme]	1
A	Personal funds from owner(s) and/or any director(s) that do not need to be paid back	2
B	Revolving credit facility or bank overdraft	3
C	Bank loan other than [INSERT FROM SAMPLE: Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme or the Recovery Loan Scheme] INTERVIEWER ADD IF NECESSARY / INFO BUTTON ON ONLINE SURVEY: **The Recovery Loan Scheme was launched by the government in April 2021, providing financial support to businesses across the UK as they recover and grow following the Covid-19 pandemic.**	4
E	Loans from directors, other individuals, or organisations [ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include loans from family or friends that need to be repaid]	5
F	Leasing or hire purchase (asset-finance)	6
H	Equity finance ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include equity from directors, individuals, friends, family, crowd funding platforms, or other organisations	7
I	Credit cards	8
J	Government or local government grants, i.e. government funding that is not paid back	9
L	Any other external finance (PLEASE TYPE IN)	11
	None of these	97
	Don’t know	98
	Refused	99

ASK ALL CONTROL GROUPS (SDV6)

A2. Have you applied for any external finance or used personal funds from owner(s) and/or any director(s) since the start of the Covid-19 Pandemic (i.e. after 23 March 2020)?

Please only think about any external finance you applied for and include the use of personal funds from owner(s) and/or any director(s).

MULTI CODE OK FOR 1-2.

Yes – I applied for external finance	1
Yes- I used personal funds	2
No	3
Don't know	98
Refused	99

ASK ALL CONTROL GROUPS WHO HAVE APPLIED FOR EXTERNAL FINANCE AND/OR PERSONAL FUNDS AT A2 (A2 = 1 AND/OR 2)

A2b. And was the need to apply for external finance or use of personal funds for your business prompted by the Covid-19 pandemic?

SINGLE CODE ONLY.

Yes	1
No	2
Don't know	98
Refused	99

ASK ALL CONTROL GROUPS WHO HAVE APPLIED FOR EXTERNAL FINANCE AT A2 (code 1)

A3. Were you successful in your application for external finance?

IF YES **Was this fully or partially sufficient for your business needs?**

READ OUT. SINGLE CODE ONLY.

Yes, I obtained finance fully sufficient for all my business' needs	1
Yes, I obtained finance partially sufficient for my business's needs	2
No, I was not successful in the application	3
Don't know	98
Refused	99

ASK CONTROL GROUPS (IF A2=3 OR A3=3, THEN ONLY ASK BB))

A4. For each of these forms of external finance could you please tell me if AA) you have used it since the start of the Covid-19 Pandemic (i.e. after 23 March 2020), and/or BB) if you have used external finance in the last three years, prior to the Covid-19 Pandemic (i.e. from March 2017 up to March 23 2020)?

ROTATE ORDER OF A TO O. MULTICODE OK. FOR ONLINE, PLEASE SHOW AS YES/NO QUESTION..

READ OUT A TO K.

INTERVIEWER: READ OUT EACH IN-TURN CODING A OR B IF APPLICABLE. EXPLAIN IF NECESSARY, FOR CODE BB THIS IS ASKING ABOUT USING FINANCE IN THE PAST 3 YEAR BEFORE THE PANDEMIC.

A	DO NOT ASK: [INSERT LOAN FROM SAMPLE (FILES 1-6): Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme]	1
B	Personal funds from owner(s) and/or any director(s) that do not need to be paid back	2
C	Revolving credit facility or bank overdraft	3
D	Bank loan other than [INSERT FROM SAMPLE: Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme or the Recovery Loan Scheme] INTERVIEWER ADD IF NECESSARY / INFO BUTTON ON ONLINE SURVEY: **The Recovery Loan Scheme was launched by the government in April 2021, providing financial support to businesses across the UK as they recover and grow following the Covid-19 pandemic.**	4
E	Loans from directors, other individuals, or organisations [ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include loans from family or friends that need to be repaid]	5
F	Leasing or hire purchase (asset-finance)	6
G	Equity finance ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include equity from directors, individuals, friends, family, crowd funding platforms, or other organisations	7
H	Credit cards	8
I	Government or local government grants, i.e. government funding that is not paid back	9
K	Any other external finance (PLEASE TYPE IN)	11
	None of these	97
	Don’t know	98
	Refused	99

ASK IF MORE THAN ONE CODE SELECTED AT A4_AA or BB OR A1_AA or BB, IF ONLY ONE CODE IS SELECTED, AUTOMATICALLY PIPE IN THE ANSWER. DO NOT ASK IF DK/NONE AT A4 (A4=97-99)

A5. And which one of these forms of external finance provided you with the most funding in the last three years?

ONLY ONE ANSWER IS ALLOWED, ONLY SHOW CODES SELECTED AT A4 AA_BB OR A1_AA or BB . ALLOW DK AND REFUSED

ASK CONTROL GROUP WHO HAVE OBTAINED ANY EXTERNAL FINANCE SINCE THE PANDEMIC A3=1 OR 2 OR RECIPIENTS FOR WHOM INFO IS NOT AVAILABLE IN THE SAMPLE (FILE 1,3,4,5), DO NOT ASK IF DK/NONE AT A4/A5 (A4 OR A5=97-99)

A7. Can [CATI: **I] [**WEB: **you] confirm in which month and year you obtained the external finance from the** [IF CONTROL GROUP (S6DV): INSERT FROM A5] [IF RECIPIENT (FILES 1-6): [INSERT FROM SAMPLE: **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme].**

READ OUT TO ALL / LEAVE AS NOTE IN WEB: **'Obtained' refers to when the facility was approved.**

SINGLE CODE ONLY MONTH

1. January
2. February
3. March
4. April
5. May
6. June
7. July
8. August
9. September
10. October
11. November
12. December
98. Don't know
99. Refused

SINGLE CODE ONLY YEAR

A. 2020
B. 2021
98. Don't know
99. Refused

ASK CONTROL GROUP WHO HAVE OBTAINED ANY EXTERNAL FINANCE SINCE THE PANDEMIC A3=1 OR 2 OR RECIPIENTS FOR WHOM INFO IS NOT AVAILABLE IN THE SAMPLE (FILE 1,3,4,5) AND A3=1 OR 2, DO NOT ASK IF DK/NONE AT A4/A5 (A4 OR A5=97-99)

ONLY ASK FOR FINANCE SELECTED AT A5

A8. And much money did you apply for? If you don't know the exact amount, please estimate it as best as you can. TYPE IN AMOUNT IN POUNDS

ALLOWED RANGE £0-£999,999,999

INTERVIEWER NOTE: PLEASE READ BACK FIGURE TO RESPONDENT AND DOUBLE CHECK CORRECT NUMBER OF ZEROS

£									

Don't know 98

Refused 99

ASK IF DON'T KNOW OR REFUSED (CODE 2 OR 3) AT A8

A8b. Would you say it was? PROMPT FROM BANDS. SINGLE CODE ONLY

Less than £5,000	1
£5,000 to £9,999	2
£10,000 to £24,999	3
£25,000 to £49,999	4
£50,000 to £99,999	5
£100,000 to £499,999	6
£500,000 to £999,999	7
£1 million to less than £5 million	8
£5 million to less than £10 million	9
£10 million to less than £25 million	10
£25 million to less than £50 million	11
£50 million to less than £100 million	12
£100 million to less than £200 million	13
£200 million or more	14
Don't know	98
Refused	99

ASK CONTROL GROUP IF DID NOT APPLY OR WITHDREW APPLICATION FOR COVID LOANS (S8=1-2)

A9. Why did you not seek finance from one of the Government schemes to help deal with the issues caused by the Covid-19 pandemic such as:

IF CONTROL GROUP FOR (FILE 7 AND 8): **the Bounce Back Loan Scheme or Coronavirus Business Interruption Loan Scheme**

IF CONTROL GROUP FOR (FILE 9)**: the Coronavirus Business Interruption Loan Scheme or Coronavirus Large Business Interruption Loan Scheme?**

IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **Coronavirus Business Interruption Loans, Bounce Back Loans and Coronavirus Large Business Interruption Loans are part of the Government scheme to make external finance available to businesses impacted by the Covid-19 pandemic.**

MULTI CODE OK. PROMPT IF NECESSARY. ROTATE 1-4

INTERVIEWER INSTRUCTION: IF BUSINESS SAY THEY ARE NOT ELIGIBLE, PLEASE ASK THEM TO EXPLAIN WHY THEY THINK SO AND ADD AS A COMMENT TO OTHER

Schemes were not suitable for my business	1

Better alternative forms of external finance available elsewhere	2
I was not aware of the schemes	3
My bank did not offer the schemes as an option	4
We used alternative support/did not need one of the schemes	5
Did not want to take on debt (or take on more debt)	6
Another reason (PLEASE TYPE IN)	7
Don't know	98
Refused	99

ASK IF WITHDREW APPLICATION S8=2

A10. Why did you withdraw your application from [PIPE IN BELOW**]**

IF CONTROL GROUP FOR BBL: **the Bounce Back Loan Scheme?**

IF CONTROL GROUP FOR CBIL: **the Coronavirus Business Interruption Loan Scheme?**

IF CONTROL GROUP FOR CLBIL: **the Coronavirus Large Business Interruption Loan Scheme?**

IF NECESSARY / INFO BUTTON FOR ONLINE SURVEY: **Coronavirus Business Interruption Loans, Bounce Back Loans and Coronavirus Large Business Interruption Loans are part of the Government scheme to make external finance available to businesses impacted by the Covid-19 pandemic.**

MULTI CODE OK. PROMPT IF NECESSARY. ROTATE 1-3

INTERVIEWER INSTRUCTION: IF BUSINESS SAY THEY ARE NOT ELIGIBLE, PLEASE ASK THEM TO EXPLAIN WHY THEY THINK SO AND ADD AS A COMMENT TO OTHER

Realised after applying that my business was ineligible (PLEASE TYPE IN WHY)	1
Realised after applying that schemes were not suitable for my business	2
Realised after applying that better alternative forms of external finance were available elsewhere	3
Another reason (PLEASE TYPE IN)	4
Don't know	98
Refused	99

ASK IF SCHEMES NOT SUITABLE FOR MY BUSINESS (CODE 1 AT A9 OR CODE 2 AT A10)

A11. Why were the Government schemes such as

IF CONTROL GROUP FOR (FILE 7 AND 8): **the Bounce Back Loan Scheme or Coronavirus Business Interruption Loan Scheme**

IF CONTROL GROUP FOR (FILE 9): **the Coronavirus Business Interruption Loan Scheme or Coronavirus Large Business Interruption Loan Scheme?**

not suitable for your business?

PROMPT IF NECESSARY. MULTI CODE. ROTATE 1-6

Conditions attached to the external finance available under those Government's schemes were too restrictive	1
Conditions attached to the external finance available under those Government's schemes would clash with existing loan agreements	2
Conditions attached to the external finance available under those Government's schemes would inhibit my ability to run my business	3
Conditions attached to the external finance available under those Government's schemes would inhibit my ability to apply for external finance in the future	4
It would take too long to obtain the external finance available under those Government's schemes	5
Another reason (PLEASE TYPE IN)	7
Don't know	98
Refused	99

ASK IF BETTER ALTERNATIVES AVAILABLE (CODE 2 AT A9 OT CODE 3 AT A10)

A12. What made the alternatives to those Government schemes better?

MULTI CODE. ROTATE 1-3. PROMPT IF NECESSARY

The application process for other forms of external finance was easier	1
Other forms of external finance were cheaper	2
Other forms of external finance were faster to obtain	3
Another reason (PLEASE TYPE IN)	4
Don't know	98
Refused	99

ASK CONTROL GROUP (S6DV) IF DID NOT APPLY OR WITHDREW APPLICATION S8=1-2

A13. How did you deal with the issues caused by the Covid-19 pandemic?

MULTI CODE. ROTATE 1-5. PROMPT IF NECESSARY.

Obtained external finance from elsewhere	1

Cut costs/expenses (including labour costs)	2
Drew on cash reserves	3
Sold assets	4
Changed business model	5
Used other government support (such as the furlough/Coronavirus Job Retention Scheme or Self-Employment Income Support Scheme (SEISS))	6
Other (PLEASE TYPE IN	7
Don't know	98
Refused	99

ASK CONTROL GROUPS WHO HAVE USED ANY EXTERNAL FINANCE SINCE THE PANDEMIC OR USED ANY EXTERNAL FINANCE IN THE LAST 3 YEARS PRIOR TO THE PANDEMIC, 1-19 FOR A4_AA OR A4-BB, EXCLUDE THOSE WHO SAID DK OR REF AT A5 (A5=98 OR 99)

A15. [CATI: **Can you tell me] How long did it take to obtain the** [INSERT FROM A5] **finance from applying to obtaining the finance?**

READ OUT TO ALL: 'Obtained' refers to when the facility was approved.

FOR CBILS/CLBILS (SAMPLE FILE 1,2,4,6) AND THOSE WHO APPLIED FOR MORE THAN ONE FACILITY (SAMPLE FILE TBC): **Please think about the application for the first loan you obtained in:** INSERT MONTH FROM SAMPLE.

SINGLE CODE ONLY. **PROMPT IF NECESSARY**

Less than one week	1
One week to less than two weeks	2
Two weeks to less than one month	2
One month to less than three months	3
Three months or more	4
Don't know	98
Refused	99

ASK IF IN BBLS SAMPLE (FILES 4, 5 AND 6 AND LOAN TYPE = BBL)

A16. Have you already or do you intend to sign up for any of the Pay As You Grow options available through the Bounce Back Loan Scheme?

INTERVIEWER NOTE / ADD AS INFO BUTTON FOR ONLINE SURVEY (**Pay As You Grow options enable businesses who have started repaying their Bounce Back Loans to:**

- **request an extension of their loan term to 10 years from six years, at the same fixed interest rate of 2.5%**
- **reduce their monthly repayments for six months by paying interest only. This option is available up to three times during the term of their Bounce Back Loan**

- **take a repayment holiday for up to six months. This option is available once during the term of their Bounce Back Loan.**
- PROMPT TO CODE. SINGLE CODE ONLY

Yes, I have signed up for Pay As You Grow already	1
Yes, I intend to sign up for Pay As You Grow in the next year	2
Yes, I intend to sign up for Pay As You Grow in the future (beyond one year)	3
No, have not signed up for Pay As You Grow and do not intend to do so	4
Don't know	98
Refused	99

SHOW ALL LOAN RECIPIENTS (FILES 1-6)

CATI: I now want to ask you about the external finance you obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**].

WEB: You will now be asked about the external finance you obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**].

ASK ALL LOAN RECIPIENTS (FILES 1-6)

A18. How did your business use the external finance obtained from the [INSERT FROM SAMPLE: **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme]**? ROTATE A TO L MULTICODE OK. READ OUT A TO M.

ASK ALL WHO SELECT MORE THAN ONE (CODE 1 TO 13) AT A18 AA or A18_BB. If One code at A18 then autopunch A19

A19. Which was the main use of the finance? ONLY SHOW THOSE SELECTED AT A19.

SINGLE CODE ONLY. ROTATE 1-12. FOR ONLINE, SHOW AS YES/NO QUESTION PROMPT IF NECESSARY.

A	Pay staff salaries	1
D	Working capital/cash flow/day to day costs/expenses	3
E	Change business model, e.g. moving to online service provision	4
F	Introduce new or different goods and services as a result of new demand created by the Covid-19 pandemic	5
G	Invest in digital capability, such as digital platforms or communications, or to develop new products or services	6
H	Other adjustments to working practices (e.g. ensure workplace is Covid-19 safe)	7
I	Provide financial security and/or headroom, e.g. in case more funds are needed	8
J	Make any debt repayments	9
K	Purchase of materials and/or goods	10
L	Consolidation of existing debt – i.e. bringing existing debts together into one new dent	11
M	Something else (PLEASE TYPE IN)	12
	Don't know	98
	Refused	99

ASK ALL LOAN RECIPIENTS (FILES 1-6)

A20. To what extent has the external finance you have obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**] **impacted on your likelihood to seek any form of external finance in the next three years?**

READ OUT SCALE

FOR CBILS/CLBILS (SAMPLE FILE 1,2,4,6) AND THOSE WHO APPLIED FOR MORE THAN ONE FACILITY (SAMPLE FILE TBC): **Please think about the total value of loan obtained from your successful applications only, i.e. [**INSERT TOTAL VALUE FROM SAMPLE.]

The external finance obtained through the scheme has definitely increased the likelihood to seek external finance	1
The external finance obtained through the scheme has probably increased the likelihood to seek external finance	2
No impact	3
The external finance obtained through the scheme has probably decreased the likelihood to seek external finance	4
The external finance obtained through the scheme has definitely decreased the the likelihood to seek external finance	5
Don't know	98
Refused	99

ASK ALL LOAN RECIPIENTS (FILES 1-6)

A23. And how long did it take you to obtain the external finance from the [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme], from applying to obtaining the** [INSERT FROM SAMPLE (FILES 1-6):

Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme] **finance?** SINGLE CODE ONLY. PROMPT IF NECESSARY.

FOR CBILS/CLBILS (SAMPLE FILE 1,2,4,6) AND THOSE WHO APPLIED FOR MORE THAN ONE FACILITY (SAMPLE FILE TBC): **Please think about the application for the first loan you obtained in:** INSERT MONTH FROM SAMPLE.

Less than one week	1
One week to less than two weeks	2
Two weeks to less than one month	3
One month to less than three months	4
Three months or more	5
Don’t know	98
Refused	99

ASK ALL

A24. Between 23 March 2020 and March 2021, did your business use any of the following Government support for businesses and organisations?

ROTATE ORDER 1 TO 9MULTICODE OK. FOR ONLINE, SHOW AS YES/NO QUESTION.

READ OUT 1 TO 9.

Furloughing staff through the Coronavirus Job Retention Scheme [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Under this scheme, the Government pays part of the wages of any workers temporarily asked to stop working and placed on leave due to the impact of Covid-19 on their employer. Furloughed workers are those whose employers cannot cover staff costs due to Covid-19, and as such they have been asked to stop working, but have not been made redundant]	1
Deferral of VAT payments	2
Deferral of Self-Assessment payments	3
HMRC Time to Pay [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This allows payments for some taxes to be deferred]	4
Self-employed Income Support Scheme [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This supports those who lose some or all of their income due to Covid-19]	5
12-month business rates holiday for hospitality, leisure, retail businesses	6
Cash grants for small businesses, loans directly funded by Government or types of support – related to the Covid-19 pandemic	7
Cash grants for small businesses, loans directly funded by Government or types of support – unrelated to the Covid-19 pandemic	8
None of these	97
Don't know	98
Refused	99

ASK ALL

A25. Now thinking about the business environment more generally. To what extent do you think that each of the following has presented an obstacle to the running of your business as usual up to now?

ROTATE ORDER.

SCALE: Major obstacle, minor obstacle and no obstacle at all

ALLOW DON'T KNOW AND REFUSED. READ OUT A TO G.

A Changes in market demand	1
B Supply chain disruptions	2
C Issues with late payment	3
D Access to external finance	4
E Availability of staff	5
F Changes you [IF ONLINE: I]need to make to my business to make it 'Covid-19 compliant' e.g. forced closure or adhering to social distancing/public health restrictions	6

SECTION B - ALTERNATIVE FINANCE TO THE COVID-19 LOAN GUARANTEE SCHEME

ASK ALL LOAN RECIPIENTS (FILES 1-6)

B2. Prior to applying for external finance from the [INSERT FROM SAMPLE (FILES 1-6):

Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme], **but after 23 March 2020, did you apply for any other external finance and/or use any personal funds for business purposes?**

INTERVIEWER PROMPT IF NECESSARY: **Please include any external finance (e.g. bank or non-bank finance) or personal funds from owner(s) and/or any director(s.)**

REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Yes, I applied for additional external finance from other sources and/or used personal funds	1
No, I did not apply for additional external finance from other sources or use personal funds	2
Don't know	98
Refused	99

ASK ALL LOAN RECIPIENTS (FILES 1-6)

B1. Were you planning to seek any [ADD IF CODE 1 AT B2 **other**] **external finance from alternative sources or use [**[ADD IF CODE 1 AT B2 **additional**] **personal funds if your application for external finance from the** [INSERT FROM SAMPLE (FILES 1-6): **Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**] **was unsuccessful? Please include any external finance (e.g. bank or non-bank finance) or personal funds from owner(s) and/or any director(s) which you were planning to seek or would have used.**

REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Definitely would have tried to seek external finance from other sources	2
Probably would have tried to seek external finance from other sources	3
Probably would not have tried to seek external finance from other sources	4
Definitely would not have tried to seek external finance from other sources	4
Don't know	98
Refused	99

ASK IF DID NOT OR WOULD NOT HAVE APPLIED TO EXTERNAL FINANCE CODE 4 OR 5 AT B1 AND/ OR CODE 2 AT B2), DO NOT ASK IF B2=1

B3. IF 4 AT B1: **Were you not planning to apply for external finance for any of these reasons ?**

IF 2 AT B2: **Did you not apply for external finance from elsewhere for any of these reasons?**

IF BOTH CODE 4 AT B1 AND CODE 2 AT B2 ,ASK B2 WORDING
SINGLE CODE ONLY. ROTATE 1-3. READ OUT.

Unfavourable terms and conditions	1
Too expensive	2
Low likelihood of success	3
We used alternative support/did not need external finance	4
Did not want to take on debt (or take on more debt)	5
Other (PLEASE SPECIFY)	6
Don't know	98
Refused	99

ASK IF PLANNING TO SEEK EXTERNAL FINANCE FROM OTHER SOURCES (CODE 2 TO 3) AT B1 AND/OR APPLIED FOR FINANCE FROM OTHER SOURCES PRIOR TO APPLYING TO BBLS/CBILS/CLBILS (CODE 1) AT B2

B4. Other than the external finance you obtained through the [INSERT FROM SAMPLE (FILES 1-6): **Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**]**, what types of external finance from other sources would you have sought [IF 1 AT B2: have you applied for]? Please include personal funds from owner(s) and/or any director(s).**

ROTATE ORDER OF 1 TO 9. MULTICODE OK. **FOR ONLINE SHOW AS YES/NO QUESTION.** READ OUT 1 TO 11.

A	Personal funds from owner(s) and/or any director(s)	1
B	Revolving credit facility or bank overdraft	2
C	Bank loan	3
D	Government or local government grants, i.e., government funding that is not paid back [WALES ONLY or the Welsh Government's Economic Resilience Fund]	4
E	Loans from directors, other individuals, or organisations [ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include loans from family or friends]	5
F	Leasing or hire purchase (asset-finance	6
G	Equity Finance (other than crowd funding) ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include equity from directors, individuals, friends, family, crowd funding platforms, or other organisations	7
H	Credit cards	8
K	Something else [ADD IF LOAN RECIPIENT other than external finance obtained through the [INSERT LOAN FROM SAMPLE Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme] (PLEASE TYPE IN)	11
	Don't know	98
	Refused	99

SHOW ALL FINANCE TYPES SELECTED AT B4.

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 11)
B6. Thinking about all of the external finance that you obtained or could have obtained from other sources if your application to the [INSERT FROM SAMPLE (FILES 1-6)**: Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme] had been unsuccessful, would this total amount have been sufficient to cover your cash flow needs?**
This includes cash needed to make investments in response to the pandemic.

IF 1 AT B2: This includes any personal funds you have used for business purposes and/or external finance you have successfully applied for prior to applying for external finance from the [INSERT FROM SAMPLE (FILES 1-6): Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme], but after 23 March 2020.

Please include any external finance (e.g. bank or non-bank finance) or personal funds from owner(s) and/or any director(s) you could have obtained or used.
REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Definitely would have covered our cash flow needs	1
Probably would have covered our cash flow needs	2
Probably would not have covered our cash flow needs	3
Definitely would not have covered our cash flow needs	4
Don’t know	98
Refused	99

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 11)

ASK B5, B7-B9B FOR ONE FINANCE TYPE SELECTED AT B4 ONLY, USE ‘LEAST FILLED’ TO ALLOCATE FINANCE TYPES

B5. I now want to ask you about the other types of external finance you would have sought. Thinking about [INSERT FINANCE TYPE FROM B4]

IF 2 OR 3 AT B1: **To what extent do you think you would have been successful in obtaining this external finance from elsewhere?**
IF BOTH B1 AND B2 APPLY, USE WORDING FOR B2
IF 1 AT B2: **Were you successful in obtaining this external finance from elsewhere?**

REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Definitely would have been successful in raising external finance from other sources [IF 1 AT B2: I was successful in raising external finance from other sources I]]	1
Probably would have been successful in raising external finance from other sources	2
Probably would not have been successful in raising external finance from other sources	3
Definitely would not have been successful in raising external finance from other sources [IF 1 AT B2: I was unsuccessful]	4
Don’t know	98
Refused	99

ASK IF (PLANNING TO SEEK/SOUGHT FINANCE FROM OTHER SOURCES (CODE 2 TO 3) AT B1 AND THEY THOUGHT THEY WOULD HAVE BEEN SUCCESSFUL (1 OR-2 AT B5)

OR APPLIED FOR FINANCE FROM OTHER SOURCES PRIOR TO APPLYING TO BBLS/CBILS/CLBILS (CODE 1 AT B2) AND A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 19)) AND THEY WERE SUCCESSFUL (CODE 1 AT B5)

B7. IF 2 OR 3 AT B1: **Do you think you would have been able to obtain the external finance within the same timeframe as the** [INSERT FROM SAMPLE (FILES 1-6): **Coronavirus Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan**]**?**

IF BOTH B1 and B2 APPLY, USE WORDING FOR B2
IF (1 AT B2) AND 1-2 AT B4: **Were you able to obtain the external finance within the same timeframe as the [INSERT FROM SAMPLE** (FILES 1-6)**: Coronavirus Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan]?**

SINGLE CODE ONLY. READ OUT SCALE.

Would have obtained finance within the same timeframe as the [INSERT FROM SAMPLE: Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan]	1
It would have taken longer to obtain finance than for the [INSERT FROM SAMPLE: Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan]	2
It would have taken less time to obtain finance than for the [INSERT FROM SAMPLE: Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan]	3
Don't know	98
Refused	99

ASK IF WOULD HAVE TAKEN LONGER TO OBTAIN (CODE 2 AT B7) IF CODE 2 OR 3 AT B1:
B8. Would the delay have caused you to miss any payments you made during that period? For example, this could include payments to your suppliers and also any payments related to investments or innovations which you made.

SINGLE CODE ONLY

Yes	1
No	2
Don't know	98
Refused	99

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 11) AND IF CODE2 OR 3 AT B1

B9b. Why did you choose the [INSERT FROM SAMPLE (FILES 1-6): **Coronavirus Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan**] **rather than the** [INSERT FINANCE AT B4]**?** CATI ONLY: DO NOT PROMPT. PROBE FULLY

MULTICODE OK

Lower interest rate	1
Better terms and conditions (e.g. security required)	2
Repayment period offered	3
Ease of application (e.g. little paper work)	4
Speed of obtaining the finance	5
Most suitable/appropriate for need	6
Likelihood of successfully obtaining the finance	7
Another reason (PLEASE TYPE IN)	8
Don't know	98
Refused	99

SECTION C- SELF REPORTED IMPACTS OF THE COVID-19 LOAN GUARANTEE SCHEME

ASK ALL OTHER THAN THOSE WHOSE BUSINESS HAS CLOSED **(NOT CODE S9=5)**

C1. Do you expect that your business will continue trading until at least 31 December 2021?

READ OUT CODES 1 TO 3. SINGLE CODE ONLY

Yes, business will continue trading	1
No, business will have temporarily stopped trading	2
No, business will have permanently stopped trading	3
Don't know	98
Refused	99

FOR ALL REMAINING QUESTIONS IN SECTION C: ASK ALL LOAN RECIPIENTS (FILES 1-6) AND NOT CLOSED DOWN AT C1 (C1 DOES NOT EQUAL 2 OR 3) OR C2 (C2 DOES NOT EQUAL 1)

C2. If you had not been able to access funding from the [INSERT FROM SAMPLE: Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme], how likely or unlikely is it that your business would have permanently closed?

(Or before the end of last year)

SINGLE CODE ONLY. READ OUT CODES.

Definitely would have closed	1
Very likely	2
Fairly likely	3
Fairly unlikely	4
Very unlikely	5
Definitely would not have closed	6
Don’t know	98
Refused	99

ASK ALL LOAN RECIPIENTS (FILES 1-6)

C4. Since raising the external finance from the [INSERT FROM SAMPLE (FILES 1-6): **Coronavirus Bounce Back Loan Scheme/Coronavirus Business Interruption Loan Scheme/Coronavirus Large Business Interruption Loan Scheme**], **has your business undertaken any of the following activities**. ROTATE 1 TO 6 (CODE 3 ALWAYS FOLLOWS CODE 2). MUTLICODE OK. READ OUT 1 TO 6.

Adoption/expansion of digital technologies (e.g. video conferencing, online marketing, social media, website for selling products or services, artificial intelligence, machine learning etc)	1
Research and development (R&D) activities (excluding R&D related to the environment)	2
Actions to reduce your business’s carbon emissions (including R&D related to the environment) [ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Examples include increased reliance on renewable energy, training staff on environmental matters, conducting R&D relating to the environment)	3
The development of new or modified processes or business models	4
The development of new or modified goods or services	5
Building business resilience (e.g. ringfencing funds for emergencies, developing resilience plans or a risk register)	6
None of the above	97
Don’t know	98
Refused	99

ASK IF UNDERTAKEN ACTIVITIES (CODE 1 TO 6) AT C4

C5. Would you have been able to undertake [IF ONE ACTIVITY AT C4 **this activity**; IF TWO OR MORE ACTIVITIES AT C4 **these activities**] **without the** [INSERT FROM SAMPLE (FILES 1-6): **Bounce Back Loan /Coronavirus Business Interruption Loan /Coronavirus Large Business Interruption Loan**]**?** SHOW ACTIVITIES SELECTED AT C4. ROTATE IN SAME ORDER AS C4. REVERSE SCALE. SINGLE CODE ONLY FOR EACH. READ OUT SCALE.

Yes, to a greater extent	1
Yes, to the same extent	2
Yes, to a lesser extent	3
No, would not have undertaken [IF ONE ACTIVITY AT C4 this activity; IF TWO OR MORE ACTIVITIES AT C3 these activities]	4
Don't know	98
Refused	99

SECTION D - MARKETS AND COMPETITORS

SHOW ALL
The next few questions are asking about your business' competitors, and your exporting or importing plans.

ASK ALL
D1. In the past three years, have you…? READ OUT A AND B. SINGLE CODE ONLY FOR EACH

INTERVIEWER / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Another country includes sales to/purchases from/investment in the Republic of Ireland.

	Yes	No	Don't know	Refused
A – Exported goods or services to another country outside the UK	1	2	98	99
B – Imported goods or services from another country outside the UK	1	2	98	99

ASK ALL

D2. Now thinking about your competitors, how would you describe the nature of the competition in your main market/s (defined with respect to the type of goods and services you sell and the geographic area in which you sell them)? Please think about your circumstances in January 2020, before the coronavirus outbreak. Would you say that there was…? REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Very intense competition	1
Intense competition	2
Moderate competition	3
Weak competition	4
No competition at all	5
Don't know	98
Refused	99

ASK ALL
D3. And how would you describe the nature of the competition in your main market/s (defined with respect to the type of goods and services you sell and the geographic area in which you sell them) over the past year? Please think about your circumstances since 23 March 2020. Would you say that there was…? REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Very intense competition	1
Intense competition	2
Moderate competition	3
Weak competition	4
No competition at all	5
Don't know	98
Refused	99

ASK ALL
D4. Thinking about your business in January 2020, before the Covid-19 outbreak, if your business was to permanently cease trading do you think any of your competitors would take up your sales? REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

Yes, all of our sales	1
Yes, some of our sales	2
No, no-one would take our sales	3
Don't know	98
Refused	99

ASK ALL WHO SALES TAKEN (CODE 1 OR 2) AT D4

D5. And would this mainly be competitors based…? MULTICODE OK. READ OUT.

Locally, (CATI: and by that I mean) within 20 miles of your business	1
Elsewhere in your region of the UK	2
In the rest of the UK, but outside your region	3
In the European Union (EU)	4
In other countries outside of the European Union (EU)	5
Don't know	98
Refused	99

ASK ALL WHO SALES TAKEN (CODE 1 OR 2) AT D4

D6. Approximately what percentage of your sales were within the UK in January 2020, before the Covid-19 outbreak? IF CLOSED (S9=5): Approximately what percentage of your sales were within the UK before your business closed, in January 2020, before the Covid-19 outbreak? TYPE IN PERCENTAGE. ALLOW RANGE 0-100%.
DATASHEET

INTERVIEWER: PLEASE READ BACK FIGURE TO RESPONDENT. IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

%

Don't know 98

Refused 99

ASK IF DON'T KNOW PERCENTAGE SOLD IN THE UK (CODE 98) AT D6

D7. Is it IF CLOSED (S9=5): Was it…? SINGLE CODE ONLY. READ OUT CODES 1 TO 6.

0%	1
More than 0% to less than 25%	2
25% to less than 50%	3
50% to less than 75%	4
75% to less than 100%	5
100%	6
Don't know	98
Refused	99

SECTION E - RECONTACT AND DATA LINKING

READ OUT TO ALL

These final questions will help us understand the different types of people who are running or managing a business, how different businesses have been impacted by the Covid-19 pandemic and how they made use of different external finance types available.

Individual details will be kept strictly confidential by Ipsos MORI. It will not be possible to identify an individual from the results and personal information will not be passed on to the British Business Bank.

[SOLE TRADERS ONLY: **Please note that there is a question which asks you to describe your ethnic origin, age, health condition and gender identity, however you are free to not answer.]**

ASK ALL SOLE TRADERS (CODE 1) AT S17

E1. What is your sex?

SINGLE CODE ONLY

Female	1

Male	2
Other	3
Prefer not to say	4

ASK ALL SOLE TRADERS (CODE 1) AT S17

E2. What is your ethnic group?

SINGLE CODE ONLY.

White	1
Multiple/ethnic groups	2
Asian/Asian British	3
Black/ African/Caribbean/Black British	4
Other ethnic group	5
Don’t know	98
Prefer not to say	99

ASK ALL SOLE TRADERS (CODE 1 AT S17)

E3. Please [CATI: could you tell us] [WEB: enter] the date you were born.

If you don't know your date of birth, please estimate it as best as you can.

ALLOW NUMERICAL ANSWER FOR DAY/MONTH/YEAR

ALLOW DK_ Refused

ASK IF DK AT E3

E4. How old were you on your last birthday?

SINGLE CODE ONLY

Under 24	1
25-29	2
30-34	3
35-39	4
40-49	5
50-59	6
60-69	7
70+	8
Prefer not to say	99
Don't know	98

ASK ALL SOLE TRADERS (CODE 1 AT S17)

E5. Do you have any physical or mental health conditions or illnesses lasting or expected to last 12 months or more?

Yes	1
No	2
Don't know	98
Prefer not to say	99

ASK TURNOVER UNDER £45 MILLION (S4= LESS THAN £45 MILLION OR S5_AA= 1-11 OR S6_AA= 1-2) EXCEPT SOLE TRADERS (CODE 1 AT S17)

E6. Thinking about the ownership of your business, approximately what percentage of your business would you say is owned by:

a) women?
b) People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White?
c) institutions (e.g. Venture Capital Funds)?

RECORD % AND CODE TO LIST BELOW FOR EACH. ALLOW OPTION FOR REFUSED. IF RESPONDENT SAYS THEY DON'T KNOW PLEASE PROMPT TO CODE

	Women	People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White	Institutions (e.g. Venture Capital Funds)
None	1	1	1
More than one percent but less than 50%	2	2	2
50% or more	3	3	3
100%	4	4	4
Don't know	98	98	98
Refused	99	99	99

ASK TURNOVER OVER £45 MILLION (S4= MORE THAN £45 MILLION OR S5= 12-14 OR S6= 3-4) EXCEPT SOLE TRADERS (CODE 1 AT S17)

E7. Thinking about the senior leadership team in your business, approximately what percentage of the senior leadership team would you say…

a) Are women?
b) Identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White?

RECORD % AND CODE TO LIST BELOW FOR EACH. ALLOW OPTION FOR REFUSED. IF RESPONDENT SAYS THEY DON'T KNOW PLEASE PROMPT TO CODE

	Women	People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White
None	1	1
More than one percent but less than 50%	2	2
50% or more	3	3

100%	4	4
Don't know	98	98
Refused	99	99

ASK ALL

E8. On behalf of Ipsos MORI and the British Business Bank, we would like to thank you very much for your time.

The British Business Bank may want to do some follow up research on this subject within the next few months. This would involve an in-depth interview lasting c. 45-60 minutes with one of our researchers. Would you be happy to take part in the follow up interviews? You do not have to commit to anything now, just indicate a willingness to be contacted again. SINGLE CODE ONLY

We can assure you that everything you say will be treated in the strictest confidence and we'll combine your responses with those from the other participating businesses in a way which will ensure that the British Business Bank won't be able to identify you from our report. You would only be re-contacted for British Business Bank research and not for any other purpose.

Yes – Ipsos MORI can contact me	1
No	2

ASK ALL

E9. The British Business Bank may also want to do some follow up research on this or other subjects within the next three years. Would you be happy to take part in further research within the next three years? MULTI CODE OK

REPEAT IF NECESSARY:

We can assure you that everything you say will be treated in the strictest confidence and we'll combine your responses with those from the other participating businesses in a way which will ensure that the British Business Bank won't be able to identify you from our report. You would only be re-contacted for British Business Bank research and not for any other purpose.

Yes – Ipsos MORI can contact me	1
Yes – Another research agency can contact me	2
Yes – British Business Bank can contact me	3
No EXCLUSIVE	4

ASK IF AGREE TO RECONTACT (CODE 1, 2 AND/OR 3) AT E8 and/or E9

E10. You may be contacted via telephone or email. Please could you confirm your email address and/or your preferred telephone number?

Yes [COLLECT EMAIL]	1
Yes [COLLECT TELEPHONE NO]	3
Refused	99

ASK ALL

E11. We would like to check your postcode as this allows us to classify your business by region or nation. We have your business postcode as [POSTCODE FROM SAMPLE]. **Is this correct?**

Yes	1
No	2

ASK IF POSTCODE IS INCORRECT (CODE 2) AT E10

E12. What is your postcode? PROBE, AS NECESSARY. WRITE IN TWICE TO VERIFY

ASK ALL

E13.

The British Business Bank or London Economics may want to undertake further analysis of the survey results by linking your answers to other available data.

[READ OUT IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This may include analysing the data by local authority, information to categorise your business and other information about your loan held by the British Business Bank or held by commercial sources such as your credit score, turnover, size or other types of finance or support accessed by your business in previous years.]

Are you happy for your survey responses to be used in this way?

READ OUT IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: The British Business Bank commissioned another research organisation, London Economics to undertake an economic impact analysis of the Coronavirus loans the Bank provided to businesses. The extra information would only be used for aggregate level analysis. At no point would your business be identified in any reporting of this analysis.

READ OUT IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Your data will not be shared with credit rating agencies. It will be used only for research purposes by the British Business Bank and London Economics. Any matching to other datasets will not affect your credit scores or your business in any other way.

SINGLE CODE ONLY

Yes - British Business Bank can undertake the analysis using credit scores and other available data	1
Yes – London Economics can undertake the analysis using credit scores and other available data	2
No [EXCLUSIVE]	3

ASK ALL

E15. Finally, with your consent we would like to email you a summary of the research findings once published. Please confirm whether you would like to receive this report?

Yes (same email address) [FEED IN EMAIL ADDRESS FROM INTRODUCTION/ REASSURANCES/ DATA SHEET]	1
Yes (different address) [OPEN BOX FOR EMAIL ADDRESS]	2
No	3

Thank you for taking the time to participate in this study. You can access the privacy notice here: <link>. This explains the purposes for processing your personal data as well as your rights under data protection regulations to access your personal data, withdraw consent, object to processing of your personal data and other required information.

If you do have any further comments or queries relating to this project, please contact [Insert contact name].

THANK AND CLOSE

Annex 3

This annex section presents supplementary descriptive statistics on: (i) the profile of businesses accessing the Covid-19 Loan Guarantee Schemes and businesses that did not use external finance from the schemes, (ii) the additionality of lending, (ii) product market displacement and (iv) other impacts of the Covid-19 Loan Guarantee Schemes.

Additional descriptive analysis

Business characteristics of the sample

Reflecting the nature of the Covid-19 Loan Guarantee Schemes, BBLS borrowers typically had a lower turnover than CBILS/CLBILS borrowers. Looking firstly at BBLS borrowers, around a quarter (28%) had a turnover of less than £50,000, while just 6% had a turnover of £1 million or more. The turnover profile of BBLS non-borrowers was similar (Table 15).

Among CBILS/CLBILS borrowers, 37% had a turnover of less than £1 million, while 39% had a turnover of between £1 and £5 million, and 20% had a turnover of £5 million or more. The figures were very similar among CBILS/CLBILS non-borrowers (Table 15).

Table 15: Turnover in latest completed financial year - Borrowers and non-borrowers

Turnover band	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Less than £50,000	28%	27%	2%	1%
£50,000 - £100,000	24%	22%	4%	2%
£100,000 - £250,000	24%	22%	6%	9%
£250 - £500,000	11%	12%	10%	11%
£500,000 - £1 million	6%	5%	15%	12%
£1-£5 million	4%	9%	39%	40%

Turnover band	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
£5-£10 million	1%	1%	7%	7%
£10-£25 million	1%	*	8%	4%
£25-£45 million	*	*	2%	3%
£45 million or more	*	*	3%	9%
Don’t know	*	0	*	0
Refused	*	0	2%	0

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics’ and Ipsos’ analysis of survey data

Almost all borrowers were private sector businesses (99% of BBLS borrowers and 97% of CBILS/CLBILS borrowers). Non-borrowers were less likely to be private sector businesses (88% for BBLS non-borrowers and 90% for CBILS/CLBILS non-borrowers) and were more likely to be voluntary sector or non-profit making organisations (5% and 6% respectively).

Most BBLS borrowers (89%) were micro-businesses, employing fewer than 10 people, while 9% were small (10-49 employees) and 1% were medium or large businesses. BBLS non-borrowers tended to be slightly larger: fewer were micro-businesses (82%) and more were medium or large (3%) (Table 16).

More than a third of CBILS/CLBILS borrowers (36%) were micro-businesses, while 47% were small and 14% medium (less than 1% were large businesses). Again, non-borrowers were typically larger: Approximately 18% were medium and 7% were large businesses (Table 16).

Table 16: Business size - Borrowers and non-borrowers (prior to Covid-19 pandemic)

Business size	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
No employees	29%	38%	3%	6%

Business size	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Micro (1-9 employees)	61%	43%	34%	28%
Small (10-49 employees)	9%	14%	47%	41%
Medium (50-249 employees)	2%	2%	14%	18%
Large (250 or more employees)	*	1%	1%	6%
Don't know	*	1%	*	*

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

Around two-thirds of BBLS borrowers (67%) were private limited companies, while 23% were sole traders. The balance was slightly different among BBLS non-borrowers, with more sole traders (37%) and fewer private limited companies (43%) (Table 17).

Nine in ten CBILS/CLBILS borrowers (90%) were private limited companies, but this was lower (72%) among CBILS/CLBILS non-borrowers. The latter group included 7% that were sole traders and 6% partnerships, but these made up very few of the CBILS/CLBILS borrowers (Table 17).

Table 17: Business legal status - Borrowers and non-borrowers

Business legal status	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Sole trader	23%	37%	1%	7%
Private limited company	67%	43%	90%	72%
Public limited company	*	1%	1%	2%
Partnership	6%	7%	*	6%

Business legal status	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Limited liability partnership	1%	1%	2%	2%
Private company limited by guarantee	1%	2%	2%	2%
Community interest company	*	1%	*	1%
Other	*	5%	1%	5%
Don’t know	1%	2%	1%	2%

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics’ and Ipsos’ analysis of survey data

Borrowers were most likely to be either in the Distribution or Business Services sectors. Among BBLs borrowers, 32% were in Distribution and 30% in Business Services. The proportions for CBILS/CLBILS borrowers were 29% and 31% respectively (Table 18). Note that both borrowers and non-borrowers were weighted to the same population profile, representative of the respective borrowing business population.

Table 18: Business sector - Borrowers and non-borrowers

Sector	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Production	10%	10%	16%	16%
Construction	16%	16%	14%	14%
Distribution	32%	32%	29%	29%
Business services	30%	30%	31%	31%
Other services	13%	13%	10%	10%

Note: The UK Standard Industrial Classification (SIC) sections are grouped as follows: Production: SIC Sectors beginning with A, B, C, D and E (e.g., A- Agriculture, B-mining, etc.). Construction: SIC sectors beginning with F (F-construction). Distribution: SIC Sectors beginning with G, H, and I (e.g., G-wholesale and retail trade, H-transport, etc.). Business services: SIC Sectors beginning with J, K, L, M, and N (e.g., J-information and communication, L-real estate, etc.). Other services: SIC Sectors beginning with P, Q, R, and S (e.g., Q- human health and social work, etc.). Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

One in five BBLS borrowers (21%) had been trading for up to five years, while a similar proportion (19%) had been trading for more than 20 years. BBLS non-borrowers were more established - just 8% had been trading for up to five years, while 40% had been trading for more than 20 years (Table 19).

Among CBILS/CLBILS borrowers, just 3% had been trading for up to five years, while approximately half (45%) had been trading for more than 20 years. CBILS/CLBILS non-borrowers were even more established - more than half (56%) had been trading for over 20 years (Table 19).

Table 19: Number of years trading - Borrowers and non-borrowers

Number of years trading	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Less than 5 years	6%	5%	1%	3%
5 years	14%	3%	2%	1%
6-9 years	26%	18%	9%	9%
10-15 years	13%	19%	26%	16%
16-20 years	13%	13%	17%	12%
More than 20 years	19%	40%	45%	56%
Prefer not to say	*	1%	0	1%

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

One in three (30%) of BBLS borrowers who were sole traders were women and none came from an ethnic minority background. For the remaining businesses (not sole traders), two in five (39%) said that over 50% of their business was owned by women and 15% said that at least 50% of their business was owned by business owners from ethnic minority backgrounds.

Similarly, three in ten (30%) of CBILS/CLBILS borrowers with turnover under £45 million[172] were owned by women and eight per cent said that over 50% of their business was owned by those identifying as Asian, Black, Mixed of from ethnic group other than White.

Sources and use of external finance

Sources of external finance used

Very few BBLS or CBILS/CLBILS borrowers applied for one of the other Covid-19 related support schemes provided by BBB. In total, 6% of BBLS borrowers applied for CBILS/CLBILS, including 2% that were successful. Similarly, 8% of CBILS/CLBILS borrowers applied for BBLS, and this included 3% that were successful.[173]

Among non-borrowers, less than 1% applied for any of the Covid-19 Loan Guarantee Schemes and in all cases, they later withdrew their application.

Borrowers said they had used various forms of external finance over the previous three years, in addition to the funding from BBLS or CBILS/CLBILS. The most common forms of external finance among BBLS borrowers were government or local government grants (44%), revolving credit facility or bank overdraft (35%) and credit cards (33%). government or local government

[172] Excluding sole traders.
[173] Note that businesses were able to apply for more than one scheme (e.g., a BBL and a CLBIL) if one of the schemes had been paid off already, or if, for example, they would they use CBILS to refinance a BBLS in full to take advantage of the higher facility size limit under CBILS.

grants were most likely to be used by those in the Distribution sector (61%) and least likely by those in Construction (23%) (Table 20).

CBILS/CLBILS borrowers were most likely to have used credit cards (51%), leasing or hire purchase (51%) and revolving credit facility or bank overdraft (48%).

Table 20: Use of external finance in last three years in addition to Covid-19 Loan Guarantee Scheme - Borrowers

Use of external finance	BBLS borrowers	CBILS/CLBILS borrowers
Personal funds from owner(s) and/or any director(s) that do not need to be paid back	24%	12%
Revolving credit facility or bank overdraft	35%	48%
Bank loan other than from BBLS/ CBILS/ CLBILS or the Recovery Loan Scheme	13%	26%
Loans from directors, other individuals, or organisations	26%	25%
Leasing or hire purchase (asset-finance)	21%	51%
Equity finance	2%	6%
Credit cards	33%	51%
Government or local government grants	44%	40%
Any other external finance	1%	1%
None of these	1%	*

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588) and CBILS/CLBILS borrowers (390). Source: London Economics' and Ipsos' analysis of survey data

When asked which forms of external finance they had used since the start of the pandemic, both groups of non-borrowers were most likely to say they had used government or local government grants (36% of BBLS non-borrowers and 32% of CBILS/CLBILS non-borrowers) and credit cards (17% and 28% respectively). Use of government or local government grants was highest among those in the Distribution and Other Services sectors (48% and 43% respectively among BBLS non-borrowers; 42% and 49% respectively among CBILS/CLBILS non-borrowers) (Table 21).

Table 21: Use of external finance since start of Covid-19 pandemic - Non-borrowers

Use of external finance	BBLS non- borrowers	CBILS/CLBILS non-borrowers
Personal funds from owner(s) and/or any director(s) that do not need to be paid back	6%	3%
Revolving credit facility or bank overdraft	10%	13%
Bank loan other than from BBLS/ CBILS/ CLBILS or the Recovery Loan Scheme	3%	7%
Loans from directors, other individuals, or organisations	4%	4%
Leasing or hire purchase (asset-finance)	8%	20%
Equity finance	*	1%
Credit cards	17%	28%
Government or local government grants	36%	32%
Any other external finance	1%	1%
None of these	48%	38%
Don’t know	1%	1%

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS non-borrowers (895) and CBILS/CLBILS non-borrowers (643). Source: London Economics’ and Ipsos’ analysis of survey data

Non-borrowers had used various forms of external finance in the three years prior to the Covid-19 pandemic, most commonly credit cards (23% of BBLS non-borrowers and 32% of

CBILS/CLBILS non-borrowers), revolving credit facility or bank overdraft (16% and 19% respectively) or leasing or hire purchase (13% and 27% respectively) (Table 22).

Table 22: Use of external finance in three years prior to Covid-19 pandemic - Non-borrowers

Use of external finance	BBLS non- borrowers	CBILS/CLBILS non-borrowers
Personal funds from owner(s) and/or any director(s) that do not need to be paid back	12%	6%
Revolving credit facility or bank overdraft	16%	19%
Bank loan other than from BBLS/ CBILS/ CLBILS or the Recovery Loan Scheme	5%	12%
Loans from directors, other individuals, or organisations	9%	8%
Leasing or hire purchase (asset-finance)	13%	27%
Equity finance	1%	2%
Credit cards	23%	32%
Government or local government grants	14%	11%
Any other external finance	1%	1%
None of these	45%	38%
Don’t know	1%	1%

Base: All BBLS non-borrowers (895) and CBILS/CLBILS non-borrowers (643). Source: London Economics’ and Ipsos’ analysis of survey data

Two-thirds of BBLS and CBILS/CLBILS borrowers said that the Covid-19 Loan Guarantee Schemes had provided them with the most funding over the previous three years (65% and 63% respectively). Among BBLS borrowers, 11% said that government or local government grants had provided them with the most funding during that time period, while 8% of CBILS/CLBILS borrowers said they received most funding from other bank loans (Table 23).

For non-borrowers, government or local government grants were the main source of external finance funding over the previous three years, both for BBLS non-borrowers (28%) and CBILS/CLBILS non-borrowers (19%). Use of government or local government grants was highest among those in the Distribution and Other Services sectors (40% and 38% respectively among BBLS non-borrowers; 26% and 38% respectively among CBILS/CLBILS non-borrowers) (Table 23).

Table 23: Source of external finance providing the most funding in last three years - Borrowers and non-borrowers

Sources of external finance	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Covid-19 Loan Guarantee Schemes (BBLS, CBILS, CLBILS)	65%	1%	63%	1%
Personal funds from owner(s) and/or any director(s) that do not need to be paid back	4%	8%	1%	4%
Revolving credit facility or bank overdraft	4%	6%	5%	8%
Bank loan other than from BBLS/ CBILS/ CLBILS or the Recovery Loan Scheme	4%	2%	8%	7%
Loans from directors, other individuals, or organisations	5%	3%	4%	5%
Leasing or hire purchase (asset-finance)	3%	6%	6%	11%
Equity finance	*	*	*	*
Credit cards	1%	7%	1%	11%

Sources of external finance	BBLS borrowers	BBLS non-borrowers	CBILS/CLBILS borrowers	CBILS/CLBILS non-borrowers
Government or local government grants	11%	28%	3%	19%
Any other external finance	2%	4%	5%	4%
None of these	1%	33%	2%	28%
Don't know	*	1%	1%	1%

Note: *Small base size and not reported for statistical disclosure control. Base: All BBLS borrowers (588), BBLS non-borrowers (895), CBILS/CLBILS borrowers (390) and CBILS/CLBILS non-borrowers (643). Source: London Economics' and Ipsos' analysis of survey data

The majority of BBLS non-borrowers that had received external finance since the pandemic applied for less than £50,000 (72%), while 3% applied for £1 million or more. CBILS/CLBILS non-borrowers typically applied for a greater amount of funding - a third (35%) applied for less than £50,000, while 20% applied for £1 million or more.

How external finance was used

Among both groups of non-borrowers, 9% of BBLS non-borrowers and 11% of CBILS/CLBILS non-borrowers said they had applied for external finance since the start of the Covid-19 pandemic (Table 24).

Non-borrowers that did not apply for a Covid-19 Loan Guarantee Scheme, or who withdrew their application, were asked how they dealt with the issues caused by the Covid-19 pandemic. A substantial minority used other government support (such as the Coronavirus Job Retention Scheme or Self-Employment Income Support Scheme); this applied to 33% of BBLS non-borrowers and 44% of CBILS/CLBILS non-borrowers. Businesses also cut costs or expenses (30% and 36% respectively) or drew on cash reserves (24% and 26% respectively) (Table 24).

Table 24: How non-borrowers dealt with the issues caused by the Covid-19 pandemic

How issues caused by the Covid-19 pandemic were dealt with	BBLS non-borrowers	CBILS/CLBILS non-borrowers
Used other government support	33%	44%
Cut costs/expenses	30%	36%
Drew on cash reserves	24%	26%
Carried on as normal/no changes	15%	13%
Changed business model	13%	11%
Obtained external finance from elsewhere	5%	4%
Closed business/put everything on hold	4%	3%
Worked from home	2%	6%
Went online/used digital platforms	3%	2%
Don’t know/prefer not to say	6%	4%

Base: BBLS non-borrowers (881) and CBILS/CLBILS non-borrowers (628) that did not apply for Covid-19 Loan Guarantee Scheme or withdrew application. Table limited to responses given by 3% or more of respondents. Source: London Economics’ and Ipsos’ analysis of survey data

Accessing external finance

Non-borrowers that had used any external finance, either since the start of the pandemic or in the three previous years, were asked how long it took them to obtain the finance after they applied for it. More than a third of non-borrowers said it took less than a week (47% of BBLS non-borrowers and 34% of CBILS/CLBILS non-borrowers), while some waited at least a month (13% and 18% respectively) (Table 25).

Table 25: Time taken to obtain finance - Non-borrowers

Time taken	BBLS non-borrowers	CBILS/CLBILS non-borrowers
Less than one week	47%	34%
One week to less than two weeks	13%	12%
Two weeks to less than one month	13%	17%
One month to less than three months	8%	11%
Three months or more	5%	7%
Don’t know/prefer not to say	13%	20%

Base: BBLS non-borrowers (618) and CBILS/CLBILS non-borrowers (470) who used external finance in the three years prior to the pandemic. Source: London Economics’ and Ipsos’ analysis of survey data

Just under half of BBLS borrowers (45%) said that it took less than a week for them to obtain the finance from the Covid-19 Loan Guarantee Schemes after their application, much higher than the corresponding proportion among CBILS/CLBILS borrowers (9%). At the other extreme, 11% of BBLS borrowers and 41% of CBILS/CLBILS borrowers said that it took at least a month for them to obtain the finance from the Covid-19 Loan Guarantee Schemes (Figure 8).

Why some businesses did not use the Covid-19 Loan Guarantee Schemes

When asked why they did not seek finance from one of the Covid-19 Loan Guarantee Schemes to help deal with the issues caused by the Covid-19 pandemic, non-borrowers were most likely to say they used alternative support or did not need any of the Covid-19 Loan Guarantee Schemes (60% of BBLS non-borrowers and 70% of CBILS/CLBILS non-borrowers) or that they did not want to take on (more) debt (26% and 20% respectively) (Table 26).

Table 26: Reasons for not seeking finance from the Covid-19 Loan Guarantee Schemes - Non-borrowers

Reasons for not seeking finance from the Covid-19 Loan Guarantee Schemes	BBLS non-borrowers	CBILS/CLBILS non-borrowers
Used alternative support/did not need one of the schemes	60%	70%
Did not want to take on (more) debt	26%	20%
Schemes not suitable for business	11%	7%
Did not qualify/not eligible	7%	4%
Better alternatives forms of external finance available elsewhere	4%	4%
Was not aware of schemes	4%	2%
Don’t know/prefer not to say	2%	3%

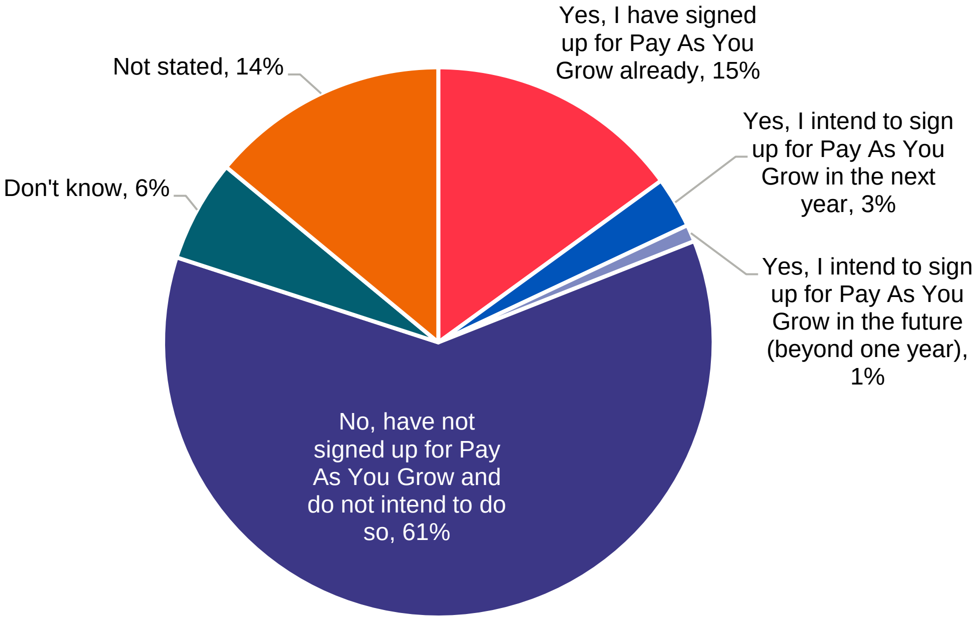
Base: BBLS non-borrowers (881) and CBILS/CLBILS non-borrowers (628) that did not apply for Covid-19 Loan Guarantee Scheme or withdrew application. Table limited to responses given by 3% or more of respondents. Source: London Economics’ and Ipsos’ analysis of survey data

When asked why the Covid-19 Loan Guarantee Schemes were not suitable for their business, the main reasons given by non-borrowers were that they weren’t eligible (30% of BBLS non-borrowers and 29% of CBILS/CLBILS non-borrowers) and that the conditions attached to the external finance available under the Covid-19 Loan Guarantee Schemes were too restrictive (27% and 18% respectively). However, these results should be treated with caution due to low base sizes.

Use of Pay As You Grow options for BBLS

Around one in six BBLS borrowers (15%) said they had already signed up for 'Pay as You Grow'[174], with a further 4% saying they intended to do so, either in the next year (3%) or further in the future (1%) (Figure 20).

Figure 20: Use or intention to sign up for any of the Pay As You Grow options available through the Bounce Back Loan Scheme



Base: All BBLS borrowers (588). Source: London Economics' and Ipsos' analysis of survey data

Additionality of lending - supplementary analysis

Table 27: Main reason for not applying for other external sources of finance - Borrowers

Response	BBLS	CBILS/CLBILS
Unfavourable terms and conditions	5%	3%

[174] Note that the figures are based on borrowers who responded to the survey between August and December 2021, the official figures published by the BBB based on all borrowers might therefore vary.

Response	BBLS	CBILS/CLBILS
Too expensive	7%	12%
Low likelihood of success	4%	3%
We used alternative support/did not need external finance	33%	37%
Did not want to take on debt (or take on more debt)	46%	42%
Other	6%	3%

Base: BBLS borrowers (193) and CBILS/CLBILS borrowers (117). This analysis conditions on the loan being additional based on the first dimension of additionality (i.e., borrowers expect that they would probably or definitely not have sought other sources of external finance if they had not obtained their loan under the Covid-19 Loan Guarantee Scheme). Does not include respondents who answered, ‘Don’t know’ or ‘Prefer not to say’. Source: London Economics’ analysis of survey data

Table 28: Types of external finance businesses would have sought - Borrowers

Type of external finance	BBLS	CBILS/CLBILS
Personal funds	56%	43%
Bank overdraft	41%	60%
Bank loan	39%	60%
Government grants	55%	47%
Loans from individuals, or organisations	44%	44%
Asset finance	16%	29%
Equity Finance	4%	12%
Credit cards	35%	31%

Base: BBLS borrowers (326) and CBILS/CLBILS borrowers (234). The following shorthand names were used; Personal funds=Personal funds from owner(s) and/or any director(s); Bank overdraft=Revolving credit facility or bank overdraft; Government grants=Government or local government grants; Loans from individuals, or organisations=Loans from directors, other individuals, or organisations; Asset finance=Leasing or hire purchase (asset-finance). Source: London Economics' analysis of survey data

Table 29: Perceived success rate for different types of external finance - Borrowers

Type of external finance	BBLS	CBILS/CLBILS
Personal funds	82%	85%
Bank overdraft	83%	84%
Bank loan	63%	86%
Government grants	74%	76%
Loans from individuals, or organisations	87%	69%
Asset finance	88%	91%
Equity Finance	47%	80%
Credit cards	93%	70%

Base: BBLS borrowers (316) and CBILS/CLBILS borrowers (219). Success is defined as a respondent having assessed that they were successful/definitely would have been successful, or probably would have been successful in their application to a given type of external finance. It should also be noted that, in order to limit the survey length, businesses were only asked about their success/the likely success of their application to one form of external finance when respondents said that they had/would have applied to more than one type. The following shorthand names were used: Personal funds=Personal funds from owner(s) and/or any director(s); Bank overdraft=Revolving credit facility or bank overdraft; Government grants=Government or local government grants; Loans from individuals, or organisations=Loans from directors, other individuals, or organisations; Asset finance=Leasing or hire purchase (asset-finance). Source: London Economics' analysis of survey data

Table 30: Proportion of loans that were additional - by sector and Covid-19 Loan Guarantee Scheme

Sector	BBLS	CBILS/CLBILS
Business services	78%	78%

Sector	BBLS	CBILS/CLBILS
Construction	90%	81%
Distribution	75%	77%
Other Services	86%	74%
Production	84%	76%

Note: The UK Standard Industrial Classification (SIC) sections are grouped as follows: Production: SIC Sectors beginning with A, B, C, D and E (e.g., A- Agriculture, B-mining, etc.). Construction: SIC sectors beginning with F (F-construction). Distribution: SIC Sectors beginning with G, H, and I (e.g., G-wholesale and retail trade, H-transport, etc.). Business services: SIC Sectors beginning with J, K, L, M, and N (e.g., J-information and communication, L-real estate, etc.). Other services: SIC Sectors beginning with P, Q, R, and S (e.g., Q- human health and social work, etc.). Base: BBLS borrowers (465) and CBILS/CLBILS borrowers (319). Source: London Economics analysis of survey data

Table 31: Proportion of loans that were additional - by region and Covid-19 Loan Guarantee Scheme

Region	BBLS	CBILS/CLBILS
East / Midlands	83%	71%
London	78%	73%
North / Yorkshire	81%	80%
Northern Ireland	75%	100%
Scotland	87%	92%
South	76%	78%
Wales	95%	89%

Base: BBLS borrowers (465) and CBILS/CLBILS borrowers (319). Source: London Economics analysis of survey data

Table 32: Proportion of loans that were additional - by size

Size categories – BBLS	BBLS	Size categories – CBILS/CLBILS	CBILS/CLBILS
less than 50,000	76%	less than 500,000	73%
50,000 or more, but below 250,000	80%	500,000 or more but below 5 million	79%
250,000 or more, but below 1 million	85%	5 million or more but below 25 million	74%
1 million or more	85%	25 million or more	76%

Base: BBLS borrowers (461) and CBILS/CLBILS borrowers (315). Source: London Economics analysis of survey data

Table 33: Proportion of loans that were additional - by Covid-19 Loan Guarantee Scheme and protected characteristics among business ownership

Protected characteristic	BBLS	CBILS/CLBILS
Female majority		
No	79%	78%
Yes	82%	81%
Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White majority		
No	80%	80%
Yes	79%	65%

Base: BBLS borrowers (Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White majority) (451), BBLS borrowers (Female majority) (454) and CBILS/CLBILS borrowers (Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White majority) (289), CBILS/CLBILS borrowers (Female majority) (292). Source: London Economics analysis of survey data

Table 34: Proportion of loans that were additional – across time and lender type

Time period/lender type	BBLS	CBILS/CLBILS
Time period		
2020 Q2	83%	80%
Post-2020 Q2	88%	76%
Lender type		
Main Bank	83%	76%
Other lender type	78%	86%
Lender type (bank vs. non-bank)		
Bank	83%	77%
Non-bank	*	83%

Base: *Small base size and not reported for statistical disclosure control. BBLS borrowers (across time) (303), BBLS borrowers (by lender type) (354) and CBILS/CLBILS borrowers (across time) (98), CBILS/CLBILS borrowers (by lender type) (257). Note, 'other' lender types include alternative finance, asset-backed lenders, smaller banks, and CFDI/social lenders. The time period refers to the quarter of the facility's initial drawn date (e.g., for a simple term loan, this is the date on which the amount borrowed was transferred to the borrower's bank account). Source: London Economics analysis of survey data

Measuring product market displacement

Table 35 explains how responses to relevant survey questions were mapped to quantitative figures (or 'displacement factors').

Table 35: Adjustments for product market displacement – based on survey responses

Question	Response	Displacement factor
Now thinking about your competitors, how would you	Very intense competition	100% displacement
	Intense competition	75% displacement

Question	Response	Displacement factor
describe the nature of the competition in your main market/s (defined with respect to the type of goods and services you sell and the geographic area in which you sell them)? Please think about your circumstances in January 2020 (since 23 March 2020), before the coronavirus outbreak. Would you say that there was…?	Moderate competition Weak competition No competition at all	50% displacement 25% displacement 0% displacement
Thinking about your business in January 2020, before the Covid-19 outbreak, if your business was to permanently cease trading do you think any of your competitors would take up your sales?	Yes, all of our sales Yes, some of our sales No, no-one would take our sales	100% displacement 50% displacement 0% displacement
And would this mainly be competitors based…?	Only in UK Outside the UK Both	100% displacement 0% displacement x% displacement, where x is the share of sales located in the UK

Table 36: Product market displacement - by Covid-19 Loan Guarantee Scheme and sector

Sector	BBLS	CBILS/CLBILS
Business services	36%	35%
Construction	49%	51%
Distribution	39%	47%

Other Services	40%	41%
Production	48%	48%

Base: All BBLS borrowers and CBILS/CLBILS borrowers who answered the related questions (base varies). Source: London Economics' analysis of survey data

Table 37: Product market displacement - by Covid-19 Loan Guarantee Scheme and region

Region	BBLS	CBILS/CLBILS
East / Midlands	45%	45%
London	45%	43%
Northern Ireland	33%	41%
North / Yorkshire	44%	49%
Scotland	41%	44%
South	40%	47%
Wales	33%	40%

Note: The UK Standard Industrial Classification (SIC) sections are grouped as follows: Production: SIC Sectors beginning with A, B, C, D and E (e.g., A- Agriculture, B-mining, etc.). Construction: SIC sectors beginning with F (F-construction). Distribution: SIC Sectors beginning with G, H, and I (e.g., G-wholesale and retail trade, H-transport, etc.). Business services: SIC Sectors beginning with J, K, L, M, and N (e.g., J-information and communication, L-real estate, etc.). Other services: SIC Sectors beginning with P, Q, R, and S (e.g., Q- human health and social work, etc.). Base: All BBLS borrowers and CBILS/CLBILS borrowers who answered the related questions (base varies). Source: London Economics' analysis of survey data

Table 38: Product market displacement - by Covid-19 Loan Guarantee Scheme and protected characteristics among business ownership

Protected characteristic	BBLS	CBILS/CLBILS
Female majority		

No	45%	47%
Yes	39%	44%
Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White majority		
No	43%	48%
Yes	40%	31%

Base: All BBLS borrowers and CBILS/CLBILS borrowers who answered the related questions (base varies). Source: London Economics' analysis of survey data

Other impacts

Table 39: Ability to undertake activities without the Covid-19 Loan Guarantee Schemes - BBLS borrowers

Would have been able to undertake to:	Not at all	Lesser extent	Same extent	Greater extent
Adoption/expansion of digital technologies	31%	33%	23%	12%
Research and development (R&D) activities (excluding R&D related to the environment)	40%	24%	23%	13%
Actions to reduce your business's carbon emissions (including R&D related to the environment)	30%	33%	26%	4%
The development of new or modified processes or business models	27%	35%	26%	12%
The development of new or modified goods or services	36%	27%	26%	11%
Building business resilience	35%	37%	18%	9%

Base: All BBLS borrowers who undertook each action (base varies). Source: London Economics' and Ipsos' analysis of survey data

Table 40: Ability to undertake activities without the Covid-19 Loan Guarantee Schemes - CBILS/CLBILS borrowers

Would have been able to undertake to:	Not at all	Lesser extent	Same extent	Greater extent
Adoption/expansion of digital technologies	18%	34%	35%	11%
Research and development (R&D) activities (excluding R&D related to the environment)	26%	26%	33%	13%
Actions to reduce your business's carbon emissions (including R&D related to the environment)	25%	26%	33%	13%
The development of new or modified processes or business models	21%	37%	33%	7%
The development of new or modified goods or services	19%	37%	32%	8%
Building business resilience	23%	44%	24%	8%

Base: All CBILS/CLBILS borrowers who undertook each action (base varies). Source: London Economics' and Ipsos' analysis of survey data

Annex 4

Analysis of business survival

This annex section describes the approach used to quantify the impact of the Covid-19 Loan Guarantee Schemes on business survival.

Calculating the observed death rate of businesses

As mentioned in the section on the Covid-19 Loan Guarantee Schemes' impact on business survival, the observed death rate of businesses is estimated using management information from BBB. This exercise is based on estimating deaths resulting from liquidations due to insolvency, so it will not include all business deaths (e.g., voluntary liquidations for reasons other than insolvency).

The estimated death rate from liquidations is computed in two steps:

1. The first step consists in estimating the share of borrowers that have defaulted on obligations whether these be loans made under the Covid-19 Loan Guarantee Schemes or other obligations.[175]

   Defaulting businesses are identified through their loan state in the management information data. Specifically, the following states are referred to as 'default states' (in the order at which they occur):

- Lender demand – the lender has reported that the facility is in default
- Demanded – the lender is claiming on the guarantee entered with HM Government
- Settled – the claim has been settled

[175] For instance, many defaults among BBLS borrowers are likely to be on other obligations as these businesses did not need to make repayments before 12 months because of the Business Interruption Payment and a 12-month principal repayment holiday. In addition, BBLS borrowers could request a further 6-month payment holiday via the Pay as You Grow measures.

Although it is possible for a business to have multiple facilities, for the purpose of the analysis of death rates, the default state needs to be assigned at the level of the company rather than the facility. Therefore, a business is assumed to be in default if at least one of its facilities is in a default state.

Not all these businesses will cease trading. For instance, some may re-structure their debt, or enter administration without ceasing to trade etc. Therefore, to approximate the share of businesses that ceased trading, it is necessary to estimate the likelihood with which defaulting businesses enter liquidation.

2. The second step therefore consists in estimating the probability with which businesses enter liquidation, conditional on being in default. The following states are assumed to indicate that liquidation proceedings have taken place:

- Demanded. Indeed, it is assumed that lenders would only claim on the guarantee after liquidation proceedings have taken place.
- Settled

It should be noted that, if the outstanding balance of a loan was recovered following a liquidation, the loan state would be marked as 'repaid' in the management information data, but these businesses are not included as they could not be distinguished from businesses that have fully repaid their loan. Therefore, the estimated number of liquidated businesses should be treated as a lower bound (another reason for this may be that, in some cases, the loan state may not have been updated). The estimated death rate is computed by multiplying the estimated default and liquidation rates.

Assigning companies to one of the Covid-19 Loan Guarantee Schemes

When a company took out only one facility, it is assigned to the scheme of the facility. However, for borrowers that took out a facility in more than one Covid-19 Loan Guarantee Scheme,[176] businesses were assigned to the scheme based on the following rules:

[176] It was possible for businesses to use a BBLS facility to refinance a CBILS facility in full, or to take out a CBILS facility having previously repaid a BBLS facility.

- When the date drawn was available for each facility, a business was assigned to the scheme of the first facility that was drawn first.
- If date drawn was missing for at least one facility, a business was assigned to the scheme in which it had a repaid facility, assuming that there were not repaid facilities in both schemes.
- If no loan has been repaid, or if loans under both schemes were repaid, a business was assigned to BBLS if the total CBILS loan amount was larger than the total BBLS amount. This assumes that these businesses are likely to have refinanced a BBLS loan to obtain a larger amount of funds through the CBILS scheme. For these businesses, the loan that was used to meet their immediate financial needs was the first loan they received, i.e., the BBLS loan.
- If no loan has been repaid, or if loans under both schemes were repaid, a business was assigned to the CBILS if the total CBILS loan amount was less than or equal to the total BBLS amount. This assumes that these businesses are likely to have refinanced a CBILS loan using a BBLS loan to obtain more advantageous terms and conditions. For these businesses, the loan that was used to meet their immediate financial needs was the CBILS loan.

Possible impact of fraud on estimated death rates of businesses

It should be noted that the death rate may be biased by fraud – an issue likely to be most prevalent among BBLS businesses. For instance, there is anecdotal evidence that BBLS loans were in some cases taken out by fictional companies, which should not be included in the calculations, as they will upwardly bias the death rate if they tend not to be repaid (as this would incorrectly inflate the number of insolvent businesses), and they would downwardly bias the death rate if they tended to be repaid (as this would incorrectly inflate the number of solvent businesses). BEIS has estimated that 11% of BBLS loan volume related to fraudulent loans,[177] but it is unclear whether these would bias estimated death rates upwards or downwards, or to what extent. Therefore, no adjustment has been made to the estimated death rate. This is unlikely to markedly affect results, given the extent of the difference between observed and counterfactual death rates.

[177] BEIS (2021) *Annual Report and Accounts 2020-2021*.

Estimating the amount of potential job losses

Overall, the approach used to estimate the number of potential job losses if the Covid-19 Loan Guarantee Schemes had not been in place is similar to that outlined in the subsection “Impact on business survival”.

First, the counterfactual proportion of jobs lost is estimated as the total employment of businesses which expect that they would have permanently closed before the end of last year if they had not been able to access funding from the Covid-19 Loan Guarantee Schemes, divided by total employment of surveyed businesses (as for the estimates of counterfactual business death rates, a lower- and upper-bound was calculated).

Second, the observed proportion of jobs lost is assumed to be equal to the observed death rate (as described above). This assumption is unlikely to substantially affect estimates, given its low magnitude.

Third, an estimate of total employment by BBLS and CBILS/CLBILS borrowers is calculated as the product of the total number of BBLS or CBILS/CLBILS borrowers and the average pre-pandemic employment per BBLS or CBILS/CLBILS borrower (estimated based on the quantitative survey).

Based on the above quantities, the formula for estimating the avoided job loss is:

$$jobs = (1 - observed\ job\ loss\ share) * counterfactual\ job\ loss\ share \\ * estimated\ total\ employment\ by\ borrowers$$

Annex 5

Econometrics methodology

This annex describes the econometric approaches used to quantify the direct and indirect impacts of the Covid-19 Loan Guarantee Schemes on business turnover and employment. Firstly, it details the econometric methods used to estimate the impacts in each case. Secondly, it discusses the data used in both analyses. Supplementary econometric results are provided thereafter.

Methodological Approach

Overview

The key challenge in identifying the effect of the Covid-19 Loan Guarantee Schemes on businesses is that there are likely to be differences between businesses that participated in the Covid-19 Loan Guarantee Schemes (the ‘treatment group’) and businesses that did not participate in the Covid-19 Loan Guarantee Schemes (the ‘control’ or ‘untreated group’) other than simply whether they participated in the Covid-19 Loan Guarantee Schemes.

For example, one might expect that businesses with a business model heavily disrupted by the pandemic (for example many businesses in the hospitality sector were forced to halt most of their operations due to lockdown restrictions) would be more likely to access the Covid-19 Loan Guarantee Schemes than businesses whose activities were less affected by the pandemic.

These differences have the potential to impact business performance (measured by turnover and employment), and so a simple comparison between the control and treatment groups of turnover and employment before and after the pandemic could result in incorrectly estimating the effect of the Covid-19 Loan Guarantee Schemes.

To tackle this problem, propensity score matching (PSM)[178] is implemented to identify a set of control businesses that closely resemble the treated businesses and minimise these differences. Then, a comparison is made between this set of control businesses and the treated businesses using the difference-in-differences[179] method. These models were estimated using STATA. Further detail on these two parts of the methodology is presented in the text that follows.

Propensity Score Matching (PSM)

Propensity score matching involves matching the treatment businesses to similar businesses in the control group on the basis of a 'propensity score'. The propensity score is the probability of a business being in the treatment group, estimated based on its characteristics. The propensity score is calculated using a logit model. The logit model is a standard economic model used when the outcome of interest is binary (whether a business received a loan under the Covid-19 Loan Guarantee Schemes or not). This model is represented by the following equation for business *i*:

$$\Pr(T_i = 1) = F(\boldsymbol{\beta C_i})$$

- T_i is a dummy variable that takes the value 1 if the business is in the treatment group and 0 otherwise.
- F is the cumulative standard logistic distribution, which is defined such that $F(x) = \frac{1}{1+e^{-x}}$.
- $\boldsymbol{C_i}$ is a vector of characteristics of the business, and $\boldsymbol{\beta}$ are the associated coefficients for these characteristics. These characteristics must be unaffected by the business' decision of whether to participate in the Covid-19 Loan Guarantee Schemes. Details on the characteristics included in the Propensity Score Matching can be found in the discussion of the data.

[178] An introduction to PSM can be found in Caliendo, M., & Kopeinig, S. (2008). Some practical guidance for the implementation of propensity score matching. *Journal of economic surveys*, 22(1), 31-72.
[179] An introduction to difference-in-differences can be found in Fredriksson, A., & Oliviera, G. (2019). Impact evaluation using Difference-in-Differences. *RAUSP Management Journal*, 55(4), 519-532.

Once the propensity scores have been calculated, each loan business is matched to the control business with the closest propensity score (i.e., the ‘nearest neighbour’).

The matching algorithm also specifies a maximum allowable discrepancy in the propensity score between the treatment business and its matched control (referred to as a caliper). This ensures a minimum quality of match between the treatment and control groups but leads to the exclusion of loan businesses that are not similar enough in propensity score to any control businesses. The caliper is equal to one fifth of a standard deviation of the propensity scores.

The algorithm also allows for replacement, i.e., one control business can be matched to multiple different businesses in the treatment group. The advantage of this is that the closest match is always used (thereby reducing bias of estimates), however this means that some control businesses can be used multiple times reducing the overall sample size (thereby increasing variance of estimates).

Additionally, a further restriction is applied so that treatment businesses with a propensity score outside the range of propensity scores observed among control businesses are excluded. For example, if a business in the treatment group has a propensity score above the largest propensity score of the control businesses, then it will be excluded. This is important as for these loan businesses, there is no suitably similar control business with which to match it.[180]

There are two key assumptions needed for PSM to lead to accurate estimates of the treatment effect. The first is the conditional independence assumption, which requires that given the observable controls, potential outcomes are independent of the treatment assignment. Put simply, this means that there must be no unobserved variables simultaneously influencing the treatment and the potential outcomes. This assumption is not directly testable, however the fact that information is available on both immutable characteristics of the businesses as well as information on their perception of how they were impacted by the pandemic means that this condition may be satisfied.

The second is the common support assumption. This requires that there are no combinations of relevant observed characteristics that can perfectly predict whether a business would be in the treatment group or not. Given that participation in the Covid-19 Loan Guarantee Schemes is

[180] The combined effect of the calliper and the restriction on the propensity scores of the borrowers is to exclude 7 borrowers from the main BBLS model and 1 borrower from the main CBILS/CLBILS model.

entirely voluntary and that the eligibility requirements are extremely broad this assumption should be satisfied.

The underlying goal of PSM is to identify a subset of the treatment group and some matched controls such that the only major difference between the two is that one group received the treatment, and the other did not. The PSM substantially reduces the differences between the loan and control samples. This is by approximately three quarters for the BBLS model and two thirds for the CBILS/CLBILS model. The tables that follow show the differences in prevalence of the characteristics included in the PSM for the treatment and control groups, before and after the PSM.

Table 41: Balance table - BBLS

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
Business Interruption	Changes for Covid-19 compliance	2.47%	1.12%
	Access to External Finance	2.84%	2.97%
	Issues with Late Payment	8.94%	0.74%
	Changes in Market Demand	11.10%	0.19%
	Availability of Staff	10.01%	1.49%
	Supply Chain Disruption	11.77%	1.12%
Turnover	less than 50,000	22.81%	0.93%

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
	50,000 or more, but below 100,000	2.12%	1.12%
	100,000 or more, but below 250,000	5.92%	0.93%
	250,000 or more, but below 500,000	11.45%	0.93%
	500,000 or more, but below 1 million	9.66%	2.42%
	1 million or more, but below 5 million	2.68%	2.04%
	5 million or more, but below 10 million	0.58%	0.19%
Staff	1	21.11%	1.67%
	2 to 4	9.27%	0.00%
	5 to 9	10.87%	0.37%
	10 to 24	1.54%	2.04%
	25 to 49	1.02%	1.12%
	50 to 249	0.96%	0.19%

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
	250 to 999	0.63%	0.19%
Region	East / Midlands	3.04%	0.93%
	London	0.61%	0.74%
	North / Yorkshire	1.54%	3.72%
	Northern Ireland	2.64%	0.93%
	Scotland	0.12%	2.23%
	South	0.44%	1.30%
	Wales	2.24%	0.93%
Sector	Business services	2.78%	0.19%
	Construction	2.78%	1.12%
	Distribution	6.31%	2.42%
	Other Services	6.11%	0.74%
	Production	0.20%	0.37%
Age	5 years or less	7.51%	1.49%
	6 to 9 years	2.15%	0.93%
	10 to 15 years	4.49%	0.93%
	16 to 20 years	0.33%	2.04%
	More than 20 years	14.48%	3.53%
Average		5.55%	1.25%

Source: London Economics' analysis of survey data

Table 42: Balance table - CBILS/CLBILS

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
Business Interruption	Changes for Covid-19 compliance	3.42%	1.98%
	Access to External Finance	5.37%	3.11%
	Issues with Late Payment	9.69%	0.00%
	Changes in Market Demand	11.34%	2.54%
	Availability of Staff	0.36%	3.95%
	Supply Chain Disruption	6.36%	0.00%
Turnover	less than 50,000	0.55%	0.00%
	50,000 or more, but below 100,000	1.38%	0.00%
	100,000 or more, but below 250,000	6.87%	0.00%
	250,000 or more, but below 500,000	1.97%	1.98%
	500,000 or more, but below 1 million	6.53%	1.98%
	1 million or more, but below 5 million	7.32%	0.56%

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
	5 million or more, but below 10 million	1.86%	0.00%
	10 million or more, but below 25 million	7.72%	1.98%
	25 million or more, but below 45 million	1.76%	1.69%
	45 million or more, but below 100 million	7.05%	0.56%
	100 million or more, not more than 500million	7.39%	0.28%
	More than 500 million	0.31%	0.00%
Staff	1	2.57%	1.13%
	2 to 4	0.99%	0.28%
	5 to 9	5.92%	5.65%
	10 to 24	3.00%	1.41%
	25 to 49	8.95%	2.82%
	50 to 249	6.48%	0.85%
	250 to 999	6.06%	0.85%

Characteristic	Feature	Difference in prevalence between treatment and control groups (Full Sample)	Difference in prevalence between treatment and control groups (After PSM)
	1,000 to 2,499	2.66%	0.00%
	2,500 to 4,999	0.94%	0.00%
	5,000 or more	0.16%	0.00%
Region	East / Midlands	0.30%	1.69%
	London	0.83%	1.69%
	North / Yorkshire	0.25%	1.13%
	Northern Ireland	2.51%	0.28%
	Scotland	3.67%	0.28%
	South	0.98%	0.56%
	Wales	1.37%	0.00%
Sector	Business services	5.09%	1.41%
	Construction	2.57%	3.95%
	Distribution	6.95%	0.56%
	Other Services	3.33%	0.28%
	Production	1.10%	1.69%
Age	5 years or less	2.26%	1.13%
	6 to 9 years	0.65%	1.69%
	10 to 15 years	8.65%	3.11%
	16 to 20 years	4.43%	3.67%
	More than 20 years	11.47%	1.13%
Average		4.03%	1.29%

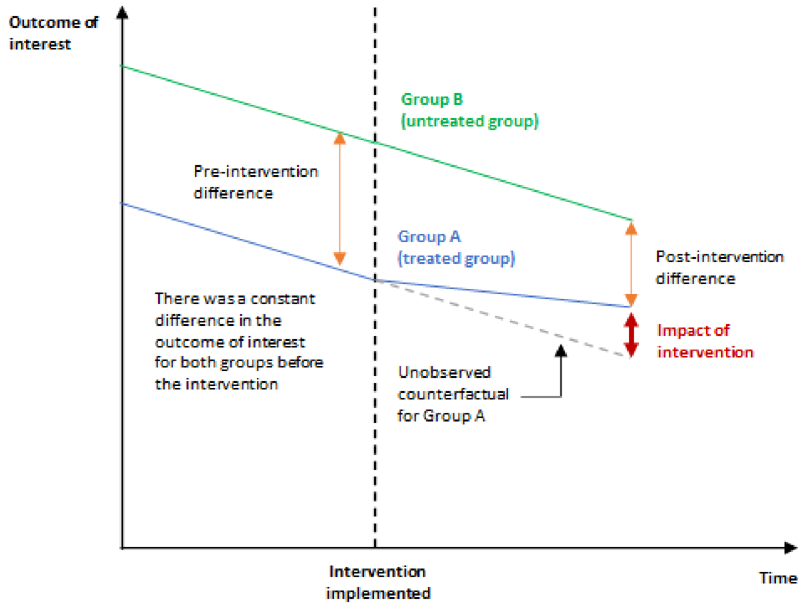
Source: London Economics' analysis of survey data

Difference-in-differences estimation

Under the difference-in-differences approach, outcomes are compared both before and after the Covid-19 Loan Guarantee Schemes were introduced in order to account for the pre-existing differences in performance (as measured by turnover and employment) between the treatment and control groups that may not have been eliminated in the propensity score matching process.[181] This is demonstrated in the figure below, showing differences in outcomes between treated businesses (Group A) and untreated businesses (Group B). In the example, prior to Covid-19 Loan Guarantee Scheme loans being extended untreated businesses outperform treated businesses (i.e., there is a pre-existing difference in outcomes) though this is not necessary for this method to be valid. After Covid-19 Loan Guarantee Scheme loans are extended, treated businesses reduce their margin of underperformance, and this is the impact of the Covid-19 Loan Guarantee Schemes: the difference between treated and control businesses after receiving the Covid-19 Loan Guarantee Scheme loan, minus the corresponding difference before receiving the loan (the difference-in-differences), which is positive.[182]

[181] Ideally, the treated and control samples would be similar to the extent that their turnover and employment before the pandemic would be identical. However, given that it is not possible to observe all relevant characteristics and incorporate these into the PSM process and because the analysis is based on a (limited) sample, it is possible that differences in outcomes remain between both groups even after the matching.
[182] In this example, the difference between treatment and control businesses is negative (as treated businesses have lower outcomes than non-treated businesses), but, because the pre-treatment difference is more negative than the post-treatment difference, the impact of the intervention is positive: the margin of outperformance of non-treated businesses was reduced by the intervention.

Figure 21: Difference-in-difference framework illustration



The key assumption of the difference-in-differences method is that treated, and control businesses' outcomes follow a common trend. In this case, that means that the trajectories of turnover and employment (absent the Covid-19 Loan Guarantee Schemes) do not differ between the treatment and control groups. If this is not satisfied, the difference-in-differences of outcomes (that is, the impact of the intervention) could be incorrectly attributed to the Covid-19 Loan Guarantee Schemes. As demonstrated in Table 41 and Table 42, in the full sample there are large differences between the treatment group and the control group which are substantially reduced in the sample obtained after PSM is implemented. As a result, the use of PSM prior to the difference-in-differences analysis makes this assumption far more likely to be satisfied.

The core specification for the difference-in-differences model is described by the following equation:

$$y_{it} = \beta_0 + \gamma T_i + \varphi I_t + \lambda (T_i * I_t) + \boldsymbol{\mu P_{it}} + f_i + \varepsilon_{it} \qquad (1)$$

- y_{it} denotes the outcome variable (i.e., either log employment or log turnover). The two years included in the analysis are the last financial year before the pandemic and the last financial year, allowing a comparison before and after the effects of the Covid-19 Loan Guarantee Schemes were realized.

- β_0 is a constant term.

- T_i is a dummy variable indicating whether a given business was part of the treated group or not.
- $\boldsymbol{I_t}$ indicates whether the observation is pre- or post-treatment
- $\boldsymbol{P_{it}}$ are a set of dummies controlling for participation in other support schemes. Further details on these variables can be found in the discussion of the data that follows.
- f_i denotes unobserved time invariant factors which may influence the outcome variable. The use of the fixed effects estimator accounts for this unobserved heterogeneity.
- ε_{it} is the idiosyncratic error term. This captures factors which are not observed, and which change both across businesses and across time. Standard errors are clustered at the sector level to account for potential correlation in error terms across businesses in the same industry.
- γ, φ, λ and $\boldsymbol{\mu}$ are individual scalars/vectors of coefficients. λ is the estimate for the effect of the Covid-19 Loan Guarantee Scheme.

Data

The quantification of the direct and indirect impacts of the Covid-19 Loan Guarantee Schemes uses both survey data collected from participants and non-participants in the Covid-19 Loan Guarantee Schemes and external data. As part of the survey respondents were asked whether they would be happy for their information to be matched to external data, the matching processes were only conducted for businesses that gave their consent.

This section discusses the data processing and describes the variables used in the propensity score matching and subsequent difference-in-differences analysis.

Table 43: Variables used in the PSM

Variable	Explanation	Source
Scheme	Indicates under which Covid-19 Loan Guarantee Scheme borrowers received the loan, and which Covid-19 Loan Guarantee Scheme control businesses were assigned to	BBB management information and survey data
Treatment	Indicates whether a business was a borrower of one of the Covid-19 Loan Guarantee Schemes	BBB management information and survey data
Region	Businesses operating in the same part of the UK will be more likely to be similar and experience similar local economic conditions to each other than businesses in different parts of the UK. As a result, it would be expected that the region a business is based in may influence its decision to participate in the Covid-19 Loan Guarantee Schemes.	Survey data

Variable	Explanation	Source
Sector	Businesses operating in the same sector will be more likely to face similar challenges and trading conditions.[183]	Survey data
Size prior to the pandemic	Businesses of different sizes will have different considerations in terms of the kinds of challenges they face and their response to the pandemic. Two different measures of size were used (number of staff and turnover), measured at the end of the last financial year before the pandemic. This information was collected as part of the survey.[184]	Survey data
Age	More established businesses are likely to be impacted differently than nascent businesses and similarly are likely to have different responses to the adversity of the pandemic. As part of the survey businesses were asked how many years[185] their business had been trading.[186] For the propensity score matching, the first 6 bands (i.e., up to and including 5 years) were combined in order to boost the sample size for this category.	Survey data

[183] The possible values for this variable were Primary/Manufacturing (SIC section A, B, C, D and E), Construction (SIC section F), Distribution (SIC section G, H, and I), Business Services (J, K, L, M, N) and Other Services (P, Q, R, S).

[184] To allow for the possibility that the relationship between the Treatment and size is not strictly increasing or decreasing, these variables were coded into bands for the Propensity Score Matching. For the number of staff, the bands were 1, 2-4, 5-9, 10-24, 25-49, 50-249, 250-999, 1,000-2,499, 2,500-4,999 and 5000 or more. For turnover, the bands were less than £50,000, at least £50,000 but less than £100,000, at least £100,000 but less than £250,000, at least £250,000 but less than £500,000, at least £500,000 but less than £1 million, at least £1 million but less than £5 million, at least £5 million but less than £10 million, at least £10 million but less than £25 million, at least £25 million but less than £45 million, at least £45 million but less than £100 million, at least £100 million but not more than £500 million and more than £500 million.

[185] It was specified that this referred to all ownerships and legal statuses, the acquiring enterprise in the case of acquisition and the largest enterprise as measured by employment in the case of a merger.

[186] Responses were recorded in bands of Less than 1 year, 1 year, 2 years, 3 years, 4 years, 5 years, 6-9 years, 10-15 years, 16-20 years, and more than 20 years.

Variable	Explanation	Source
Business stability	Businesses that were more stable before the pandemic would be expected to be able to better respond to the pandemic (with or without access to the Covid-19 Loan Guarantee Schemes) and may be less likely to require assistance from the Covid-19 Loan Guarantee Schemes. The measure used for this is the business credit score indicator obtained through FAME.[187] This is a qualitative indicator of business insolvency risk measuring the "likelihood of company insolvency in the next 12 months". The reference period is not identical for all businesses however in all cases it refers to a point in time before the onset of the pandemic. Difference-in-differences estimation results obtained after matching based on a model with and without credit score were compared, and the magnitude and statistical significance of the coefficient of interest did not change substantially. Therefore, in the interest of maximising sample size, the credit score indicator was not included in the model estimating propensity scores.	FAME
Business obstacles	The different kinds of obstacles faced by businesses because of the pandemic are likely to have affected their response strategy and business performance (as measured by turnover and employment). As a result, it is useful to include these obstacles in the PSM to help ensure that the trajectory of the treatment and control groups absent the intervention is the same (common trends). The obstacles	Survey data

[187] Survey respondents were matched to the FAME database. Where a CRN was reported, it was used this to get an exact match for data in FAME. Where a CRN was not reported, the company name was used to find a match in FAME. Data was only retrieved where the matching score from FAME was scored an "A" grade (The scoring ranges from "A" to "E" with "A" being a very confident match). Given that there still may be incorrect matches based on company name, these were restricted to those FAME records which exactly matched the postcode from the sample.

Variable	Explanation	Source
	included are market demand, supply chain disruption,[188] late payment, access to external finance, availability of staff and changes needed for Covid-19 compliance. This data was collected as part of the survey, in which each business was asked whether each of the obstacles was a major obstacle, a minor obstacle or no obstacle at all. These responses were then converted into a series of dummy variables indicating whether each obstacle was identified as major.	

Table 44: Variables used the difference-in-differences regression

Variable	Explanation	Source
Business outcomes (turnover[189] and employment)	These were collected related to the last completed financial year and in the last completed year before the pandemic[190]. A log transformation was then applied to these variables for the difference-in-difference regression.	Survey data
Treatment	See Table 43 above	Survey data

[188] This indicator is also likely to capture businesses' exposure to Brexit, thereby minimizing the risk that results may be driven by exit from the European Union.
[189] In order to reduce the likelihood of outliers and possible misreported values influencing the results, some observations were excluded from the analysis. In the BBLS model, businesses reporting at least 10 million in turnover in either year were not included in the analysis (such businesses accounted for approximately 1 percent of observations). Businesses were also excluded from the CBILS and CLBILS analysis on the basis of turnover. Based on BBB management information, CBILS borrowers or controls with pre-pandemic turnover more than 50 million were excluded and CLBILS borrowers or controls with pre-pandemic turnover of less than 25 million were excluded. Additionally, CBILS borrowers or controls with over 200 million in turnover in their latest financial year and CLBILS borrowers or controls with less than 1 million in turnover in their latest financial year were excluded.
[190] Staff numbers were provided for the end of the relevant years.

Variable	Explanation	Source
Region	See Table 43 above	Survey data
Sector	See Table 43 above	Survey data
Use of the CJRS	Respondents were asked whether they furloughed staff using CJRS between 23rd March 2020 and March 2021.	Survey data
Use of other support schemes	Information on use of other support schemes was collected as part of the survey. Businesses were asked whether they used several different support schemes for businesses between 23rd March 2020 and the end of March 2021. The support schemes asked about were deferral of VAT payments, deferral of Self-Assessment payments, HMRC Time to Pay, SEISS, 12-month business rates holiday for hospitality, leisure, retail businesses, Statutory Sick Pay relief packages and Cash grants for small businesses, loans directly funded by government or types of support (separately related and unrelated to the Covid-19 pandemic). In the difference-in-differences model these variables were combined into two dummy variables, one indicating whether deferral of VAT payments was used and another indicating whether any of the other support schemes were used.	Survey data

Additional econometric results

Table 45: Estimated impact of the Covid-19 Loan Guarantee Schemes on turnover – by sector

Variable	BBLS	CBILS/CLBILS
Business services, post intervention	-0.235*** (0.077)	-0.199 (0.136)
Construction, post intervention	-0.039 (0.100)	-0.243 (0.180)
Distribution, post intervention	-0.177* (0.099)	-0.132 (0.130)
Other Services, post intervention	-0.419** (0.192)	-0.179 (0.202)
Production, post intervention	-0.081 (0.068)	-0.359 (0.245)
Business services, Borrower, post intervention	0.052 (0.099)	-0.058 (0.149)
Construction, Borrower, post intervention	-0.060 (0.113)	0.071 (0.167)
Distribution, Borrower, post intervention	-0.027 (0.092)	0.018 (0.112)
Other Services, Borrower, post intervention	-0.093 (0.255)	0.075 (0.224)
Production, Borrower, post intervention	0.007 (0.076)	0.303 (0.274)
Used CJRS	-0.076 (0.064)	-0.128 (0.113)
Used VAT Deferral	0.014 (0.055)	0.007 (0.072)
Used Other Support	-0.065 (0.060)	0.056 (0.073)
Constant	12.546*** (0.014)	14.903*** (0.020)
Observations	1,640	1,114
R-squared	0.151	0.104
Business fixed effects	Yes	Yes

Standard errors clustered at the sector level in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1. Source: London Economics' analysis of survey data

Table 46: Estimated impact of the Covid-19 Loan Guarantee Schemes on employment – by sector

Variable	BBLS	CBILS/CLBILS
Business services, post intervention	0.014 (0.035)	-0.019 (0.043)
Construction, post intervention	0.021 (0.043)	-0.001 (0.045)
Distribution, post intervention	-0.051 (0.043)	0.049 (0.061)
Other Services, post intervention	-0.046 (0.045)	-0.050 (0.079)
Production, post intervention	-0.022 (0.032)	0.042 (0.030)
Business services, Borrower, post intervention	-0.061 (0.059)	0.038 (0.061)
Construction, Borrower, post intervention	-0.012 (0.056)	0.063 (0.048)
Distribution, Borrower, post intervention	0.005 (0.040)	-0.047 (0.060)
Other Services, Borrower, post intervention	0.041 (0.056)	0.056 (0.097)
Production, Borrower, post intervention	0.026 (0.039)	-0.011 (0.059)
Used CJRS	-0.055** (0.024)	-0.100*** (0.035)
Used VAT Deferral	0.017 (0.027)	-0.012 (0.031)
Used Other Support	-0.008 (0.026)	0.022 (0.031)
Constant	1.538*** (0.006)	2.919*** (0.007)
Observations	1,640	1,114
R-squared	0.064	0.067
Business fixed effects	Yes	Yes

Standard errors clustered at the sector level in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1. Source: London Economics’ analysis of survey data

Table 47: Estimated impact of the Covid-19 Loan Guarantee Schemes on turnover – by region

Variable	BBLS	CBILS/CLBILS
East / Midlands, post intervention	-0.061 (0.034)	-0.367* (0.170)
London, post intervention	-0.283 (0.315)	-0.088 (0.120)
North / Yorkshire, post intervention	-0.183 (0.115)	-0.374*** (0.066)
Northern Ireland, post intervention	-0.184*** (0.101)	-0.106 (0.086)
Scotland, post intervention	-0.570** (0.189)	-0.304 (0.311)
South, post intervention	-0.205** (0.054)	-0.073 (0.132)
Wales, post intervention	-0.070 (0.103)	-0.104 (0.139)
East / Midlands, Borrower, post intervention	-0.023 (0.080)	0.124 (0.228)
London, Borrower, post intervention	-0.029 (0.183)	-0.323*** (0.036)
North / Yorkshire, Borrower, post intervention	0.051 (0.100)	0.281 (0.144)
Northern Ireland, Borrower, post intervention	0.002 (0.096)	0.229 (0.239)
Scotland, Borrower, post intervention	0.420 (0.256)	0.224 (0.278)
South, Borrower, post intervention	-0.174 (0.156)	-0.023 (0.095)
Wales, Borrower, post intervention	0.021 (0.126)	-0.021 (0.302)
Used CJRS	-0.108* (0.042)	-0.107 (0.119)
Used VAT Deferral	0.053 (0.044)	0.014 (0.019)
Used Other Support	-0.079 (0.041)	0.079*** (0.017)
Constant	12.546*** (0.025)	14.903*** (0.013)
Observations	1,640	1,114
R-squared	0.152	0.121
Business fixed effects	Yes	Yes

Robust standard errors in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1.

Source: London Economics' analysis of survey data

Table 48: Estimated impact of the Covid-19 Loan Guarantee Schemes on employment – by region

Variable	BBLS	CBILS/CLBILS
East / Midlands, post intervention	0.061 (0.037)	-0.009 (0.049)
London, post intervention	-0.016 (0.053)	0.094* (0.044)
North / Yorkshire, post intervention	0.000 (0.030)	-0.049 (0.061)
Northern Ireland, post intervention	-0.229** (0.075)	-0.107 (0.109)
Scotland, post intervention	-0.038 (0.039)	-0.120 (0.098)
South, post intervention	-0.020 (0.032)	0.040 (0.024)
Wales, post intervention	-0.102 (0.066)	0.118 (0.065)
East / Midlands, Borrower, post intervention	-0.054 (0.078)	0.024 (0.054)
London, Borrower, post intervention	-0.032 (0.035)	-0.128** (0.040)
North / Yorkshire, Borrower, post intervention	0.017 (0.028)	0.035 (0.049)
Northern Ireland, Borrower, post intervention	0.185** (0.057)	0.218 (0.168)
Scotland, Borrower, post intervention	0.029 (0.066)	0.197 (0.170)
South, Borrower, post intervention	-0.008 (0.051)	-0.053 (0.028)
Wales, Borrower, post intervention	0.034 (0.074)	-0.123 (0.071)
Used CJRS	-0.070** (0.021)	-0.080** (0.019)
Used VAT Deferral	0.022 (0.011)	-0.012 (0.027)
Used Other Support	-0.016 (0.026)	0.021 (0.022)
Constant	1.538*** (0.004)	2.919*** (0.004)
Observations	1,640	1,114

Variable	BBLS	CBILS/CLBILS
R-squared	0.082	0.091
Business fixed effects	Yes	Yes

Robust standard errors in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1.

Source: London Economics' analysis of survey data

Table 49: Estimated impact of the Covid-19 Loan Guarantee Schemes on turnover – by protected characteristics among business ownership

Variable	BBLS	CBILS/CLBILS
Post intervention	-0.169** (0.073)	-0.208** (0.103)
Borrower, post intervention	-0.043 (0.066)	-0.112 (0.071)
Majority female representation[191], post intervention	0.002 (0.088)	-0.343** (0.155)
Majority female representation, Borrower, post intervention	-0.136 (0.125)	0.303 (0.185)
Majority ethnic minority representation, post intervention	-0.021 (0.104)	0.141 (0.122)
Majority ethnic minority representation, Borrower, post intervention	0.128 (0.187)	-0.180 (0.270)
Used CJRS	-0.044 (0.061)	-0.044 (0.106)
Used VAT Deferral	0.038 (0.055)	0.120* (0.071)
Used Other Support	-0.047 (0.056)	0.077 (0.066)
Constant	12.545*** (0.014)	14.679*** (0.018)
Observations	1,610	972
R-squared	0.115	0.144
Business fixed effects	Yes	Yes

[191] Businesses defined as having majority female (or ethnic minority) representation are sole traders run by females (ethnic minority individuals) and other businesses which are majority owned by women (ethnic minority individuals).

Robust standard errors in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1.

Source: London Economics' analysis of survey data.

Table 50 : Estimated impact of the Covid-19 Loan Guarantee Schemes on employment – by protected characteristics among business ownership

Variable	BBLS	CBILS/CLBILS
Post intervention	-0.004 (0.036)	0.075 (0.054)
Borrower, post intervention	0.010 (0.029)	0.013 (0.044)
Majority female representation, post intervention	0.019 (0.042)	-0.057 (0.051)
Majority female representation, Borrower, post intervention	-0.051 (0.050)	-0.067 (0.063)
Majority ethnic minority representation, post intervention	-0.042 (0.043)	0.180 (0.190)
Majority ethnic minority representation, Borrower, post intervention	0.041 (0.063)	-0.232 (0.208)
Used CJRS	-0.082*** (0.024)	-0.102** (0.047)
Used VAT Deferral	0.013 (0.022)	-0.020 (0.031)
Used Other Support	-0.010 (0.022)	-0.007 (0.035)
Constant	1.510*** (0.006)	2.728*** (0.008)
Observations	1,610	972
R-squared	0.059	0.061
Business fixed effects	Yes	Yes

Robust standard errors in parentheses. *** p-value<0.01, ** p-value<0.05, * p-value<0.1.

Source: London Economics' analysis of survey data.

Annex 6

Summary of relevant UK-specific research

This annex discusses key UK-specific research on the impact of the pandemic, government support and public health measures on businesses. This includes research on the impact on SME turnover and cash flows, debt positions, investment planning and employee well-being as well as risk of business failure. This section also discusses the results of surveys and trackers undertaken with the UK business population during the course of the pandemic.

A study published by the Bank of England (2021) analyses the impact of the pandemic and the lockdown measures on SME turnover and cash flows[192]. The study uses a novel data set of detailed monthly current account and debt information on all 2 million limited SMEs that have current accounts or debt with nine major banking groups, which covers almost the entire population of limited UK SMEs. The data set covers the period from April to December 2020 and was obtained confidentially through Experian. The research used regression analysis to measure the average impacts of the pandemic and corresponding public health measures (i.e., the lockdown restrictions) on monthly business-level growth of turnover and costs (i.e., cash outflows). Regression analysis was also used to assess how these impacts differed by business characteristics (i.e., sector, region, age, and size). A probit model was used to analyse the probability of taking out a BBLS loan by business characteristics. The research findings evidenced the following:

- The pandemic and lockdowns coincided with a 30-percentage point fall in turnover growth for the average SME.
- The fall in turnover growth varies considerably across SMEs, with younger SMEs, SMEs operating in the Arts and Recreation and Accommodation and Food sectors and those in Scotland and London experiencing the largest reductions.

[192] Hurley, J., Karmakar, S., Markoska, E., Walczak, E., and Walker, D. (2021). *Impacts of the Covid-19 crisis: evidence from 2 Million UK SMEs*. Bank of England, Staff Working Paper 924.

- Cash flows however remained relatively flat on average as turnover reduction appears to have been accompanied by an equivalent reduction in costs on average, with limited heterogeneity in cash flow impact across SMEs.
- The usage of the BBLS was also quite heterogeneous across SMEs. Mid-sized SMEs with turnover between £100,000 to £1 million as well as SMEs in the hospitality sector and in the north of England were most likely to have taken out a BBLS loan. In contrast, SMEs with the highest and lowest turnover growth in 2020 were least likely to take out a BBLS. Businesses in more affluent areas of the country were also more likely to have taken out a BBLS loan.

In a follow-up study published by the Bank of England (2021), the impact of the pandemic on the debt positions of UK SMEs[193] is examined. The analysis looks at monthly balances and net debt positions[194] of a sample of limited SMEs from January 2018 to May 2021 using data from Bureau van Dijk's FAME database as well as regulatory reporting and Bank calculations. The study found that SME debt increased over the course of the pandemic. The share of limited SMEs with debt more than doubled since the start of the pandemic and stood at 45% in May 2021. Debt-servicing pressures also increased for the indebted SMEs. For example, the share of indebted SMEs that have both high debt to cash ratios and high monthly payments was around 10% post-pandemic against less than 5% pre-pandemic. Nevertheless, most SMEs were found to have no debt at all or a level of debt that is likely to be manageable. This was primarily driven by debt increases due to the Covid-19 Loan Guarantee Scheme (BBLS) which provided relatively favourable lending terms. The government also introduced pay-as-you-grow options which gave struggling borrowers flexibility in meeting their repayment obligations. Moreover, the analysis finds that 32% of the indebted SMEs in the dataset have sufficient cash to cover their debts[195], suggesting that some of the lending is precautionary.

Furthermore, appetite towards external finance was relatively limited among UK SMEs pre-pandemic. The BDA BDRC SME Finance Monitor finds that 45% of SMEs were using external finance in 2019 with larger SMEs more likely to use some form of external finance (72%). In the last quarter of 2019, as high as 73% of SMEs reported that they would rather grow slower than borrow to speed up growth and 80% of SMEs reported making business growth plans based only

[193] Bank of England (2021). *The impact of the COVID pandemic on SME indebtedness*. [Last accessed 09/12/2021]
[194] Excluding cash from savings accounts
[195] Without accounting for cash that may be reserved for future obligations such as rent and VAT arrears

on what they could afford without access to external finance[196]. From Q2 2020 through to Q2 2021, the use of external finance by SMEs overall, boosted by an increased use of bank loans and grants, has increased from 30% to 45%[197]. Moreover, since Q4 2020, and for the first time since 2012, there have been more SMEs using external finance than SMEs meeting the definition of a 'Permanent Non-Borrower' (PNB)[198].

A working paper published by the Productivity Institute (2021) investigated the effects of the UK Covid-19 furlough funding and Covid-19 Loan Guarantee Schemes on SMEs' future investment decisions[199]. The research uses survey data from the SME Finance Monitor for 2020Q3 and 2020Q4. The analysis found that the government support measures had positive effects on investment planning generally. Moreover, the combination of the furlough and Covid-19 Loan Guarantee Schemes generally had smaller positive effects than the treatment involving the exclusive use of each scheme, suggesting that businesses may decide to reduce future investments where levels of financial slack or over-subsidy are too important.

A study by Brown and Cowling (2021) investigated the geographical heterogeneity of business-level precautionary savings and the likelihood of business survival from the pandemic[200]. The study used existing survey data of 1500 businesses of different size classes collected over the period of 2018 to 2019 to identify businesses deemed to be at significant risk of failure, that is businesses that either had no profit or free cash to save, and those that did but failed to save for precautionary reasons. ONS business population data was then used to determine the business size distribution across the 100 largest cities and towns in the UK. For each size class of business, the number of at-risk businesses within that size class located within each individual town or city was multiplied by their average employment to obtain an estimate of the total number of businesses at severe risk of running out of cash and potential job losses if those businesses failed. The study found spatial heterogeneity in risk of business failure due to the

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196 BVA BDRC (2020) SME Finance Monitor Q4 2019. [Online] Available at: http://www.bva-bdrc.com/wp-content/uploads/2020/03/BVABDRC_SME_Finance_Monitor_Q4_2019_FINAL.pdf [Accessed 2 February 2022]
197 BVA BDRC (2021) SME Finance Monitor Q2 2021. [Online] Available at: https://www.bva-bdrc.com/wp-content/uploads/2021/08/SME-charts-Q2-2021-FINAL-all.pdf [Accessed 8 March 2021]
198 'Permanent non-borrowers' are not using external finance and show no inclination to do so.
199 Jibril, H., Roper, S., and Hart, M. (2021). *Covid-19, business support and SME productivity in the UK*. The Productivity Institute, Working Paper No.005.
200 Brown, R., and Cowling, M. (2021). *The geographical impact of the Covid-19 crisis on precautionary savings, firm survival, and jobs: Evidence from the United Kingdom's 100 largest towns and cities*.

pandemic, with poorer northern and peripheral urban areas of the UK having the highest incidence of business risk. Potential job losses are found to be more randomly distributed than business failure across both towns and cities, which indicates the significance of the relative size distribution of businesses within each local area. Brown and Cowling explore the importance of SME precautionary savings in another study (2020)[201]. They investigate the scale at which UK businesses are potentially at risk of a liquidity crisis caused by a decline in revenues on one hand and insufficient cash reserves to continue operating through the crisis on the other hand. They find that only 39% of surveyed businesses[202] were bolstering their cash balances leading up to Covid-19, leaving 61% of businesses at potential risk of running out of cash. Moreover, 8.6% of UK businesses had no retained earnings at the onset of the pandemic, with micro businesses at particular risk.

A number of UK business specific surveys were undertaken during the course of the pandemic. The surveys examined the economic conditions and prospects of UK businesses.

A survey by insurance company Simply Business (2021) of small UK business owners found the total estimated cost of the pandemic for small businesses to be at £126.6 billion in June 2021, doubling the £69 billion projected from the same survey conducted a year prior[203]. The average financial loss borne by a small business in the hospitality sector was found to be more than double that borne by the average small business. Survey results also highlighted the regional heterogeneity of impacts: after London, Scotland and the North East were the most impacted regions of the UK in terms of financial loss due to the pandemic.

A study by King’s Business School (2020) examined the short- and long-term impacts of the pandemic on UK SMEs through a survey of UK entrepreneurs conducted between May and July 2020[204]. A high share of surveyed businesses found that their existence had been threatened by the pandemic and experienced a loss in trading. Moreover, customers not paying or paying with long delays was found to be the top issue facing businesses during the pandemic. Over two thirds of businesses reported that they would run out of funds if the

[201] Brown, R., and Cowling, M. (2020). *Did you save some cash for a rainy Covid-19 day? The crisis and SMEs*.

[202] UK survey of the active business population conducted in 2018–2019 by IFF

[203] Simply Business (2021). *The impact of Covid-19 on UK small business*.

[204] Stephan, U., Zbierowski, P., and Hanard, P. (2020). *Entrepreneurship and Covid-19: Challenges and opportunities. An assessment of the short- and long-term consequences for UK small businesses*. KBS Covid-19 Research Impact Papers, No. 2.

pandemic continued anywhere between one month to over a year. The study also looked at differences in impacts between businesses run by women and men as well as regional differences between businesses located inside and outside of London. Overall, businesses run by women and businesses located in London were found to have been hit harder by the pandemic.

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