

One in five small firms may be forced to shut for good

[Gurpreet Narwan](#), Economics Correspondent

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The shutdown has taken a particular toll on the travel and hospitality sectors



One in five small and medium-sized businesses may have to close down permanently because of the Covid-19 pandemic, a report has warned.

The survey, conducted by Be the Business in partnership with Opinium, a research company, offers a stark picture of the pressures facing small companies in Britain, even though it was based on a relatively small sample of 500 businesses.

It suggests that already 7 per cent of small businesses have stopped trading altogether, while a further 12 per cent of those who responded said that they were likely to close within a month.

Nearly a quarter of respondents said that they had made or were planning to make redundancies, while almost 40 per cent expected to close temporarily because of coronavirus.

The government's decision to shut down large parts of the economy has taken its toll on businesses, particularly in the travel and hospitality sectors.

Be the Business, an industry-led campaign to correct Britain's productivity problem, was set up by [Sir Charlie Mayfield](#), the former John Lewis chairman, in 2017.

Tony Danker, chief executive of Be the Business, said: "Coronavirus has impacted almost every business in the country and many are

finding it difficult to know what to do next. Many have already taken the difficult decision to cease operations and are looking for advice on how best to access financial support.

“Businesses owners we’ve spoken to aren’t just concerned about the financial implications. They are also focusing on the wellbeing of their employees who have been furloughed or are having to work in completely new ways.”

The report is the latest illustration of the depth of the crisis facing small businesses. Rishi Sunak, the chancellor, has announced a £330 billion rescue package, including a coronavirus business interruption loan scheme for small companies. However, concerns have been voiced about the effectiveness of the policies. High street banks have been criticised in recent days for imposing onerous terms on the loans, including steep interest rates and demands for personal guarantees from company directors.

Under the scheme, the state will underwrite 80 per cent of the risk of bank loans of up to £5 million. It is intended to give the banks confidence to lend to businesses, but a third of companies told Be the Business that they were having difficulty accessing government loans and grants. A third of businesses also said that they were worried about cashflow problems — an issue that disproportionately affects smaller businesses with fewer than ten employees — and almost a quarter highlighted fears about staff welfare.

The government has bolstered the welfare state and has promised to pay 80 per cent of the salaries of workers who have been temporarily laid off, yet there are fears that many will fall through the gaps of the job retention scheme, including those who have had to take time off sick or those who have had their hours cut.

James Endersby, chief executive of Opinium, said: “As of last week, many businesses have stepped into uncharted territory, painfully aware of the immediate challenges thrown up by the coronavirus crisis . . . It’s an unbelievably challenging time for so many, and the government measures to support businesses are clearly much needed.”