

It will take more than a loan for small businesses to bounce back from COVID-19, warns a business leader.

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With the Government providing backing for the Bounce Back Loan Scheme, a huge volume of small businesses will now have access to cheap money, but leading business growth speaker, Dean Seddon, warns that it will take more than loans to help small businesses recover.

"Customers attitudes have changed. If you are an online business, to some degree you will return to normal in time and so you need money just to get through. But for the businesses that need customers to show up, it is going to be a very challenging year ahead."

Whilst the Government is slowly reducing the lockdown measures on society, peoples' fear of COVID-19 hasn't shown any signs of abating. In recent polls, the public have felt the easing is coming too soon.

"We have hundreds of thousands of small businesses – from caterers, event managers, training companies through to hair and beauty salons – all of which may be able to open in the coming weeks. But will the custom be there? It's unlikely. We are not seeing widespread confidence from the public that they would quickly return to events and visiting businesses. It is likely the case that being 'open for business' may mean 'open but not trading'."

Dean is not alone in his concern. Thousands of businesses across social media are saying similar things, concerned that it may take six months before they return to normal.

In a recent survey, conducted by Maverrik, 39% of respondents believed their business would not get back to full operation until September, with 14% saying 2020 had been effectively written off.

The majority of the UK workforce is employed in small businesses. Whilst major retailers and brands get all the headlines, as much as 84% of the private sector workforce is employed in a SME.

"What's worrying here is that effectively for most small businesses the Bounce Back Loan Scheme may just be funding their losses. This means in 2021, when the loan payments become due, not only do they have to be back to 2019 levels, they now have to find the money to pay down their debt."

In the early stages of the COVID-19 outbreak, many economists believed the UK would bounce back from the pandemic by early 2021. If the economy doesn't bounce back as expected, the Bounce Back Loan Scheme may see higher defaults and, ultimately, the Government may have only delayed the inevitable for many small businesses.

"What would be good to see from the Government would be another targeted injection of grants. It is very costly but, in the long run, will prevent unemployment rising and will speed up the pace of the recovery. If the Business Interruption Grants were given a second lease of life, this would massively change the small business landscape. I just hope Boris Johnson meant it when he said the Government would stand behind business."

Dean believes there is still a need for bold action from central government to make sure that the virus doesn't create a contagion of failure in the UK's small businesses.

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Maverrik

T. 02039185230

E. hi@maverrik.com

W. <https://www.maverrik.com>

Additional Contact(s):

Dean Seddon is available for commentary and opinion on business, marketing, sales and small businesses.

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