

Switzerland Programs Serve as Model for Quick Support to Small Businesses

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Original post [here](#).

In response to the COVID-19 crisis, the Swiss government quickly established a program to provide small businesses with rapid access to funds. Some [countries, including Italy, are looking](#) to Switzerland as a model for how to provide immediate relief to small businesses.

The [Federal Council of Switzerland](#) approved an emergency package to provide support to small and medium-sized enterprises (SMEs) on March 25, and the program became operational on March 26. The package provides SMEs with fast access to guaranteed loans to bridge liquidity shortages caused by the COVID-19 pandemic. The application process is streamlined, as the government provides a standardized loan application [online](#), which firms submit to their bank, and requires minimal documentation. Loans of up to CHF 500,000 carry a 100% government guarantee, and lenders are not required to perform credit risk assessments for these smaller loans. Borrowers must attest that turnover has been impacted by the COVID-19 pandemic, unlike other [countries](#) which require a level of expected or actual losses.

Between [March 26 and April 2](#), 76,034 credit agreements worth an estimated CHF 14.3 billion (\$14.8 billion) were approved under the program. Based on the total amount of aid and the number of agreements, it appears that smaller loans are more common. Given the high demand, the Federal Council approved increasing the funding for guarantees from CHF 20 billion to CHF 40 billion on April 3.

Loans are limited to 10% of annual turnover and capped at CHF 20 million. Loans have a 5 year term but can be repaid as soon as the firm returns to profitability. Loans that are less than CHF 500,000 carry zero interest and are fully guaranteed by the government while loans that exceed CHF 500,000 have an 85% government guarantee. These larger loans require more rigorous credit assessments, and the interest rate is currently set at 0.5%. Firms with more than CHF 500 million in turnover are not eligible.

Implementation of the program appears to align with the government's objectives of minimum bureaucracy and rapid access to liquidity. The [Financial Times reports](#) that the Swiss “were able to roll out the scheme almost overnight” as it leveraged existing infrastructure and bank-client relationships. 121 banks in Switzerland are participating lenders, and the largest, UBS, processed 10,000 applications in the first two days.

The scheme also temporarily allows PostFinance, the banking arm of the country's postal service, to provide eligible SME business clients with access to credit up to CHF 500,000. This ensures broad accessibility of the program for financially constrained SMEs, as many SMEs in Switzerland do not have bank loans and only have a bank account with PostFinance, which is otherwise banned from providing credit facilities based on [current law](#).

While other countries elected to provide grants or forgivable loans to SMEs, Switzerland opted to provide support through guaranteed loans. The Federal Council believes that the program will aid SMEs during the COVID-19 pandemic without requiring non-repayable advances.