

Utilization of Credit Support Programs for SMEs

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Original post [here](#).

In response to the COVID-19 pandemic, governments have implemented a variety of programs to support small- and medium-sized enterprises (SMEs). A large portion of these programs are designed to facilitate credit access. These programs range in size, eligibility, and terms. YPFS has begun to compile usage information on 26 major programs across 16 countries. The information can be found in this [spreadsheet](#).

According to the data compiled across the 26 programs as of July 15, the countries have committed at least USD 3 trillion¹ in funding for credit support programs with a total utilization across the programs of USD 1.8 trillion, meaning nearly 40% of overall capacity is still available. Utilization varies significantly across countries, as the UK's Future Fund and the US Paycheck Protection Program have seen 84% and 79% utilization respectively, while the US Main Street Lending Program has not purchased a single participation in a loan. With respect to credit guarantee schemes, utilization is higher in Spain and Italy while total utilization of credit guarantee schemes in New Zealand and Denmark is less than 2%.

Comparing utilization across programs in the UK shows the limited demand for the initial 80% government guarantee scheme, as the Coronavirus Business Interruption Loan Scheme (CBILS) guaranteed 54,538 loans and drew down 4.4% of the total funding available in a GBP 330 billion package of support to businesses. The UK government later announced a 100% guarantee scheme, the Bounce Back Loans Scheme (BBLs), which has guaranteed 1,047,611 loans, nearly 20x the number of loans made under CBILS. Some of the difference in demand can likely be attributed to the loan size, as the BBLs fully guarantees loans with a maximum size of GBP 50,000 while the CBILS provides an 80% guarantee on a loan with a maximum size of GBP 5 million.

The relative size of the programs varies significantly. Total funding for the UK's CBILS and CLBILS programs combined represent nearly 15% of GDP; two of Spain's programs combined represent nearly 12%; and France's program represents nearly 13%. Significant programs in the US like the Paycheck Protection Program and the Main Street Lending Program are larger in absolute terms, USD 659 billion and USD 600 billion respectively, but make up a smaller percentage of GDP, approximately 3% each. Denmark's program, which has seen relatively little utilization, is a comparatively small program as a portion of GDP, though it should be noted that credit support is only one of many Danish initiatives to support SMEs.

According to the [ECB's Bank Lending Survey](#), released on July 14, banks reported a net tightening of credit standards for loans to SMEs so far in 2020. During this period,

borrower demand for loans and credit lines surged, highlighting the need for emergency liquidity. Banks reported that government guarantees on lending played a key role in maintaining favorable credit standards for overall business lending.

However, banks in different countries reported different effects of government guarantees. Banks in Germany noted that demand for government guaranteed loans was lower than they had expected. Banks in France, Spain, and Italy, where credit guarantee program utilization rates were relatively high, reported that the government guarantees were a significant factor in their ability and willingness to lend.

The SME Credit Support Programs Usage spreadsheet is one of many resources maintained by YPFS under the heading [Key Program Summaries](#). The spreadsheet is not comprehensive, as many other countries provide credit support, and additional programs will be added as necessary. Utilization data will be periodically updated.

[1] Some programs do not have explicit sizes as they are either part of larger support packages or the respective government has not announced a size limit. This USD 3 trillion total does not include programs with an undefined size but does include total funding for support packages in which the credit support program is only one component of the overall package (UK CBILS / CLBILS and Austria).