



Trend Chart on Innovation in Europe

UK 8

General presentation of the measure/scheme/action/regulation

Country

United Kingdom

Geographical coverage, national or regional (state region)

(National)

Title of the measure

Small Firms Loan Guarantee Scheme

Information Source/Reference

DTI SME Policy Directorate

Overview (nature, main goals)

To help meet the gap in the market, where small businesses with viable business proposals are unable to raise finance because of lack of security.

Action Plan objective addressed by measure

II.5. Financing

III.3. Start-up of technology-based companies

Administering agency

[DTI - Department of Trade and Industry](#)

1 Victoria Street, United Kingdom

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Name of the manager(s) responsible for the implementation of this measure with address, fax, phone

[John Thompson](#)

DTI - Department of Trade and Industry

1 Victoria Street, United Kingdom

Description of Scheme

General Information

Reference to legal basis (e.g. act, public document, ...)

Section 8, Industrial Development Act 1982.

Does the measure receive central funding or regional funding?

Central

Start date

1981

Expected date of completion

1999

Previous measure (name, date, links with the current measure)

N/A.

Reasons for launching/modifying the new measure

Market failure in the area of access to finance for small firms.

Have any of the main features of the measure/scheme/action/regulation changed during its implementation

Numerous changes have been made over the years including the guarantee level, the maximum size of the loan, premium rate and eligibility conditions.

What is the predominant role of the government?

Guarantor.

Target Group

Who are the target groups of the measure?

SMEs/Industrial SMEs

Organisation and Implementation

Organisation and Structure

The Department provides guarantees to approved lenders willing to lend to eligible businesses.

What are the criteria for eligibility?

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Guarantees only available where the lender considers the business proposal is viable a is prepared to lend.

What is the mode of delivery of the measure?

The Department provides guarantees to approved lenders willing to lend to eligible businesses.

Financing : Overall budget allocated to the measure

£317.05m (EURO 512.4 m) net to 31 March 1998.

Financing : expenditure per year

Varies - currently £41m (EURO 66.2 m), not reimbursable

Financing : other budgetary sources (additional financing)

No.

Results

Result Measurement

What are the main indicators for the measurement of the results ?

The rationale for public intervention is still valid. Lending is additional to that available commercially. The scheme provides good value for money.

Where an evaluation has taken place, what were the main results achieved?

The last evaluation report was produced in March 1992; some of the findings are outline below: ? the scheme operates at the smaller end of the corporate finance spectrum covering around 1% of small business loans; ? around 68% of lending was additional; ? f every £1 of scheme loan, after two years there is a £4 increase in sales and £0.7 increa in profits.

If no official evaluation has been undertaken, have there been any indicators of success?

N/A. .

Observations

Which mechanisms seem to function well in the measure?

N/A.

Which mechanisms seem to be less successful in the measure?

N/A..

Are there any other measures planned or in operation as a follow up to this measure? Direction of the planned measures? Objectives? Target groups?

Replaced by Enterprise Fund (UK_24) in 1999.

