**Small grant funding for research on domestic business investment**

**Call for proposals 2024**

The Department for Business and Trade (DBT) has made available £35,000 to fund four research projects to strengthen the evidence base and improve understanding of domestic business investment (see Annex for definition), the mechanisms through which growth and productivity are affected and the role for government. The Enterprise Research Centre (ERC) is administering this call on behalf of DBT. Note that applications will not be accepted from anyone supported through current ERC grant funding.

Applications for funding should be submitted to ERC by22nd November 2024. Successful bids will be announced by 17th December 2024. Funded activity should be completed by end-March 2025.

**Background**

The aim of this research proposal is to call for innovative proposals – interdisciplinary approaches are welcomed – for research that will bring new ideas and new approaches to improve our understanding of the UK’s underperformance on business investment. The research will feed into the wider evidence base government is using to progress its Industrial Strategy and Growth Mission objectives.

DBTwill also provide a new dataset (available on request) acquired from the Bank of England (excluding personal data) for a representative survey conducted by the Bank of 2,825 companies (which were at least 3 years old) in 2023, ontheir business finance and investment decision-making*,* for researchers to generate new insights. Please see link to Bank of England publication for further technical detail: [Identifying barriers to productive investment and external finance: a survey of UK SMEs | Bank of England](https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.bankofengland.co.uk%2Fquarterly-bulletin%2F2024%2F2024%2Fidentifying-barriers-to-productive-investment-and-external-finance-a-survey-of-uk-smes&data=05%7C02%7CStephen.Fernando2%40businessandtrade.gov.uk%7C0052c4e457104ab8cdfc08dce9fedc11%7C8fa217ec33aa46fbad96dfe68006bb86%7C0%7C0%7C638642528019668874%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=Nh6X57PKcVrp58zEf37ITLbr6STw8G5L1MJ%2BQq40bTI%3D&reserved=0).

Note that DBT are also prepared to make this data available, subject to a Data Sharing Agreement, to research teams on a pro bono basis.

For the current scheme, grant bids will be assessed and projects awarded to the extent that they address the following objectives:

* Why is business investment in the UK lower than other similar developed economies (G20 or OECD countries depending on data availability)? To what extent is this demand/ supply-led and to what extent does it limit economic growth? What HMG policies may present good value for money and additionality in driving business investment?
* Why does business investment vary by sector, region or business size? What are the key barriers for each, and how might HMG target its approach to these groups?

Grants for four projects (up to £10.9k per project at 100% FEC, funded at 80% FEC) will be awarded to teams that address potential causes of the UK’s productivity and investment problems and potential solutions and DBT/HMG’s role within this, that explore one of the following themes:

* The extent to which a flexible labour market impacts business investment
* How the impact of recent trade frictions may have further impacted business investment
* Further analysis explaining UK firms’ low demand for finance and other risk-averse behaviour
* What are the best instruments for improving firms’ access to scale-up finance by sector?
* How does the UK business finance offer compare internationally, and to what extent, if any, do UK businesses face more acute barriers to accessing finance than in peer countries?
* Whether the lack of business finance and sub-optimal allocation of such business finance is suppressing entry and exit and hence competition, and whether sub-optimal levels of churn or competition is stifling levels of investment and innovation.

Each funded project will be required to produce a research paper of publishable quality and a brief non-technical summary (2-3 pages) of the key results. As a rough guide we envisage the final research papers being approximately 20-30 pages long. Researchers will be expected to demonstrate where the proposed work will go beyond the existing literature in this area.

**The application process**

Decisions on funding will be made by the DBT project manager supported by the ERC Directors. Note that applications will not be accepted from anyone who is being supported through current ERC grant funding.

Selection criteria in choosing successful bidders to the competition will include:

* An appraisal of the proposal relative to the tender specification, including how well it will meet the aim of improving our understanding of the drivers of business investment (60%)
* Expertise and capabilities of the bidder and experience of economic or other analysis relevant to this area (20%).
* Quality controls and mechanisms for ensuring specification is met fully (10%).
* Presentation and completeness of the bid (10%).

Awards will each be of up to £10,900 at 100% FEC and are expected to cover all research and reporting costs associated with each project. Proposals will form the basis for a brief contractual agreement. Payment will be made at the end of the project, subject to the completion of the proposed programme of activity and related reporting.

**Outputs, timing and project management**

The project will be managed by the ERC. As part of the project we envisage the following key outputs and timings.

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| Grants Competition released | 28th October 2024 |
| Responses due | 22nd November 2024 |
| Awards by  | 17th December 2024 |
| Inception meeting – exact details of contract or grant agreement should be finalised at this meeting | w/c 6th January  |
| Interim report and possible meeting | February |
| Final report – compilation of all working papers completed as part of the competition | Before End-March |

**Preparing an application**

Applications should be prepared as Word documents and, excluding appendices, should be no longer than 4 pages. These should take the following form:

* Project title and applicants, including full affiliations and contact details. The lead applicant should be clearly identified.
* Overview of proposed research and potential contribution to understanding
* Overview of the project team

Annex - Brief two-page CVs (including relevant expertise or related studies worked on) for the lead applicant and other relevant team members should be included in an annex.

Questions relating to this competition can be addressed to either Stephen Roper at ERC (Stephen.roper@wbs.ac.uk) or Stephen Fernando at DBT (Stephen.Fernando2@businessandtrade.gov.uk). Applications for funding should be submitted to Jiao Liu at ERC (CentreManager@enterpriseresearch.ac.uk) by 5pm on 22nd November 2024.

**Annex – Definition of domestic business investment**

