

Financial Support for the Sustainable Development of Small and Medium-sized Businesses in the Regions

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Abstract: The sustainable development of small and medium-sized businesses in the regions of the Russian Federation is largely related to the volume and quality of their financial support. At the same time, the state, banks, microfinance organizations, factoring and leasing companies and crowdfunding platforms play an important role in the formation of financial support for small and medium-sized businesses. Currently, due to the coronavirus pandemic, issues related to the improvement of banking and non-banking forms of financial support for small and medium-sized businesses in the regions, as well as state support for their sustainable development, have become topical. These circumstances predetermined the goal of our research, related to the analysis of the current situation and identification of problems and directions for the development of financial support for small and medium-sized businesses in the regions of the Russian Federation. To achieve this goal, we reviewed the applied and theoretical works of modern authors, which were devoted to the financial support of small and medium-sized businesses. Moreover, we used the following scientific methods: systematic approach, generalization, analysis, synthesis, comparison and expert assessments. As a result of the study, urgent problems of financial support of small and medium-sized businesses through bank loans, microfinance, factoring, leasing and crowdfunding were identified, which made it possible to draw conclusions about the need for these entities to take into account the diversity of funding sources, their advantages and disadvantages, as well as development potential, taking into account the modern economic conditions. This served as the basis for the development of measures to improve the current legislation of the Russian Federation, which regulates the financial support of small and medium-sized businesses, and state support for the sustainable development of these entities.


1 INTRODUCTION


Small and medium-sized businesses play a leading role in the socio-economic development of the regions of the Russian Federation. They participate in the formation of a competitive market, acting as a highly mobile sector of the economy that operates with relatively low investment costs, stabilize the socio-economic processes during periods of crisis due to their inherent qualities (flexibility, agility, the ability to adapt to environmental conditions), provide jobs for labor resources released from other sectors of

the economy. Thus, small and medium-sized businesses act as drivers of economic growth not only in regions, but also in the country as a whole.

In the current unstable business environment caused by the coronavirus pandemic, the risk of insolvency (bankruptcy) of small and medium-sized businesses increases as a result of their inability to withstand the negative impact of external and internal factors. In this situation, many small and medium-sized enterprises went bankrupt or were on the verge of insolvency (bankruptcy).

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All the aforementioned information indicates the need for financial support for the sustainable development of small and medium-sized businesses in the regions of the Russian Federation, aimed at strengthening their competitiveness. Financial support, being the basis for the functioning of small and medium-sized businesses, is directly related to the formation, distribution and use of financial resources. Moreover, its main functions are manifested in the following:

- achievement of financial stability of small and medium-sized businesses;
- identification of financial risks and threats in the activities of small and medium-sized businesses, as well as development and implementation of measures to neutralize and prevent them;
- promotion of the effective functioning of all systems that ensure the continuous and stable functioning of small and medium-sized businesses.

2 RESEARCH METHODS

Issues related to the financial support of small and medium-sized businesses were discussed in the works of many researchers, including Antonova (2020), Boboshko (2017), Bykovskaia (2018), Shadchenko (2018), Shchurina (2020), etc.

In the course of the analysis of these works it was concluded that, along with a deep degree of elaboration of the problem under study, there are controversial and, in some cases, contradictory approaches to the formation of an economically justified mechanism for financial support of small and medium-sized businesses in the regions.

This predetermines the importance of continuing the scientific and practical development of the issues of the formation and use of various forms of financial support for small and medium-sized businesses in the regions in modern conditions.

The methodological base of our research consists of theoretical and applied works of modern authors, devoted to the financial support of small and medium-sized businesses. In the course of this research, we used the following scientific methods: the systematic approach, generalization, analysis, synthesis, comparison and expert assessments.

3 RESULTS

According to the data from the Unified Register of Small and Medium-Sized Businesses maintained by the Federal Tax Service, as of January 10, 2021, 5.7 million small and medium-sized businesses were registered in the Russian Federation (Unified Register of Small and Medium-Sized Businesses, 2021). At the same time, in the structural aspect, microenterprises registered as individual entrepreneurs prevailed (about 60%), and in the territorial aspect small and medium-sized businesses registered in the Central Federal District exceeded (31%).

The coronavirus pandemic had a significant negative impact on the number of operating small and medium-sized businesses in the Russian Federation and their financial results. In particular, the first half of 2020 was characterized by the following indicators:

- the number of small and medium-sized businesses decreased by 2.6% to 6.1 million units compared to the same time last year;
- the number of people employed in small and medium-sized businesses decreased by 2.4% to 15.3 million people;
- taking into account inflation, small and medium-sized businesses were in a state of stagnation;
- the forced suspension of the activities of small and medium-sized businesses had a negative impact on their financial performance.

3.1 The Role of Banks in the Financial Support of Small and Medium-sized Businesses in the Regions

However, despite the presence of the aforementioned negative phenomena, the analysis of the loan portfolio of small and medium-sized businesses in the regions suggests that most of the indicators for bank lending have grown, as evidenced by the results of a study by the United Credit Bureau and Frank RG (What happened to SME loans in the crisis quarter: research by Frank RG and OKB, 2021).

According to this study, small business has remained the leader in bank lending to small and medium-sized businesses in terms of turnover since 2016. At the same time, in the second quarter of 2020, small and medium-sized businesses not only did not stop attracting bank loans, but, on the contrary, the share of borrowers represented by these entities and

their loan portfolio increased. The main reason for this lies in the governmental anti-crisis programs and the massive refinancing of bank loans by entities that faced difficulties during the coronavirus pandemic.

As of July 1, 2020, “Wholesale and retail trade; repair of motor vehicles and motorcycles” dominated the sectoral debt makeup of small and medium-sized businesses (20.2%). Regardless of the industry specifics, the total number of small and medium-sized businesses with bank loans amounted to 5.9% of the total number of these entities. At the same time, during the crisis, banks issued loans to small and medium-sized businesses for a shorter amount of time in comparison with the pre-crisis period.

The volume of sureties and independent guarantees of regional guarantee organizations in the first half of 2020 amounted to 25.1 billion roubles, which is 17.5% more than in 2019. At the same time, the influence of regional guarantee organizations on lending to small and medium-sized businesses in 2020 was especially pronounced in non-capital regions of the Russian Federation, where the share of guaranteed loans increased significantly compared to last year. In the capital, a reverse trend was observed – with a lower amount of collateral, there was an increase in the volume of bank lending, which indicates a decrease in the share of guarantees of regional guarantee organizations in issued loans and the greater ability of borrowers to provide collateral security.

The government played an important role in the banking form of financial support for small and medium-sized businesses in the regions during the coronavirus pandemic. Since April 2020, when a set of measures for state support of business in connection with the coronavirus crisis was adopted in Russia, its volume for small and medium-sized enterprises has exceeded 1 trillion roubles. In total, based on the results of seven months of 2020, small and medium-sized businesses received 3.9 trillion roubles, including 1 trillion in the form of soft loans (Small and medium-sized businesses received 1 trillion roubles of soft loans, 2021). At the same time, banks actively participated in the implementation of government measures to support entrepreneurship and maintain employment. This allowed to maintain about 8 million jobs during the restrictions. The main conductors of these measures were Sberbank and VTB. The Sberbank and VTB had 43% and 21% of the volume of loans with state participation, respectively.

3.2 Non-banking Forms of Financial Support for Small and Medium-sized Businesses in the Regions

Nowadays, microfinance organizations are actively involved in the financial support of small and medium-sized businesses in the regions that are denied by banks (Tsvetkov, 2019). Despite higher interest rates and a long repayment period, small and medium-sized businesses often turn to microfinance organizations due to the higher speed of issuing a short-term loan and a reduced package of documents required to obtain a loan.

By the beginning of October 2020, almost 4.5 thousand small and medium-sized businesses received loans from microfinance organizations, which became possible, among other things, due to the state's additional capitalization of microfinance organizations with state participation in the second and third quarters of 2020 (MFOs supported small businesses, 2021). A significant part of the loans accounted for microloans to cover unforeseen costs and support the operating activities of small and medium-sized businesses. At the same time, every tenth loan was issued by small and medium-sized businesses of St. Petersburg and the Leningrad Region, whose business is most often associated with construction, repairs, and the supply of goods and services to state institutions.

Along with microfinance, the products of factoring and leasing companies are in high demand among small and medium-sized businesses (Kosoe, 2019).

According to the Association of Factoring Companies, at the end of 2019, factoring companies financed about 4.0 thousand small and medium-sized businesses in the amount of over RUB 530 billion, the factoring portfolio of this segment as of January 1, 2020 reached RUB 101.5 billion. (Association of Factoring Companies, 2021). In 2019, small and medium-sized businesses were paid over 530 billion rubles, which is 169 billion rubles more than in 2018 (+ 47%). At the same time, in the sectoral aspect, trade prevailed in the amount of paid out financing, and in the territorial aspect – Moscow and the Central Federal District.

The coronavirus pandemic has had a significant impact on the factoring market in Russia. For example, the development of online technologies resulted in an increase in the number of factoring companies, which had a positive effect on the costs of small and medium-sized businesses in the form of a decrease in the cost of factoring. We also note the

development of the practice of using an open-ended contract in factoring, to which new debtors can be added, as well as accounting for the operational distribution of limits among debtors and the absence of collateral.

According to Expert RA, the volume of leasing financial support for small and medium-sized businesses at the end of 2019 increased by 27% compared to the previous year and amounted to 795 billion roubles, which corresponded to 53% of the leasing market in Russia. In the territorial aspect, the largest volume of lease payments receivable fell on Moscow, St. Petersburg and the Volga Federal District (Expert RA, 2021).

Car leasing accounted for about 70% of the total volume of leasing financing for small and medium-sized businesses. Moreover, more than 50% of car leasing accounted for trucks. In turn, the coronavirus pandemic had a negative impact on car leasing due to a decrease in demand for taxi services and the suspension of car sharing, which are the main drivers of the market in 2019. At the same time, thanks to the state program on preferential car leasing and a reduction in the key rate, the consequences of this influence were mitigated.

Crowdfunding is also a tool for sustainable development of small and medium-sized businesses, which allows attracting funds from private investors to finance projects of these entities (Avanesyan, 2018). Crowdfunding platforms are now becoming an important hub for private investors when entering new assets. The unique feature of this tool is manifested in the transformation of social capital accumulated by social networks into financial capital. Another important component of crowdfunding is the absence of traditional intermediaries in financing (the investor works directly with the recipient).

4 DISCUSSION

Improving the efficiency of financial support for the sustainable development of small and medium-sized businesses in the regions involves the use of an integrated approach that takes into account the variety of funding sources, their advantages and disadvantages, as well as the development potential, taking into account modern economic conditions. In this case, it is important to be guided by the following principles:

- integration with the general support system for small and medium-sized businesses;
- target orientation – ensuring the effective formation, distribution and use of financial

resources of small and medium-sized businesses and the creation of conditions for their stable financial development under the influence of factors of the internal and external environment;

- flexibility and agility – facilitating a timely response to any manifestations of internal and external environmental factors that can lead to a disruption in the financial balance of small and medium-sized businesses or any deviations from the planned results, which makes it possible to develop corrective actions necessary to maintain the achieved or achieve the desired state of financial resources of small and medium-sized businesses in terms of their formation, distribution and use;
- conditionality – ensuring the processes of formation and distribution of financial resources of small and medium-sized businesses, taking into account their needs in the creation of non-circulating and circulating assets, as well as the implementation of production and sales of products.

The main result of financial support for small and medium-sized businesses in the regions is the level of their financial stability, the achievement and maintenance of which is carried out through the use of a certain set of financial methods and tools in conjunction with regulatory and information support.

Financial support of small and medium-sized businesses is a rather laborious procedure, the complexity of which is associated with the need for strategic and operational-tactical analysis of a sufficiently large amount of diverse data. Therefore, one of the tasks in the implementation of financial support for small and medium-sized businesses in the regions is the choice of the optimal information field, so that the volume of operatively controlled information is minimal, comprehensively characterizes the current situation of small and medium-sized businesses, made it possible to correctly assess the progress of the implementation of the goals of ensuring their financial sustainability, as well as identify potential problem areas and bottlenecks in the field of finance of small and medium-sized businesses.

5 CONCLUSIONS

Regional banks occupy an important place in the financial support for the sustainable development of small and medium-sized businesses in the regions of

the Russian Federation, since they are closer to regional business than federal banks and take into account their needs as fully as possible. At the same time, a significant factor in the stable functioning of regional banks is the programs of state support for small and medium-sized businesses, which imply the establishment of loyal requirements for ratings necessary for the participation of regional banks in them. At the same time, at present, prohibitive rating levels have been established for many of these programs, which do not allow many regional banks to participate in them, which reduces their client base and weakens their competitive positions. This, in turn, negatively affects the quality and level of availability of bank loans for small and medium-sized businesses.

As mentioned above, the bulk of state support for small and medium-sized businesses fell on banks. At the same time, microfinance organizations are fintech companies with sufficient competence and ample opportunities to participate in supporting small and medium-sized businesses from the affected sectors of the Russian economy through preferential microloans. Accordingly, their recognition as systemically important organizations will allow microfinance organizations to be conductors in solving important state problems, for example, through certain mechanisms for financing the salary needs of small and medium-sized businesses. This, in turn, will contribute to the recovery of the regional economies after the coronavirus pandemic.

With regard to the factoring form of financial support for small and medium-sized businesses, we note that one of the topical issues is related to the participation of these entities in government contracts. So, the current legislation of the Russian Federation allows you to transfer to a third party the right to claim a debt that a customer has arisen under a state or municipal contract. However, the Ministry of Finance of Russia and the Federal Treasury point to the impossibility of transferring money to an organization that is not a party to the state contract. At the same time, one of the tasks of the national project "Small and Medium Enterprises and Support of Individual Entrepreneurial Initiatives" is to ensure the extension of the factoring mechanism to suppliers in the procurement of small and medium-sized businesses. Accordingly, it is necessary in the legislation on the contract system to secure the right of the customer to make payment under the fully or partially executed state and municipal contract in favor of the factoring company, to which the supplier (contractor, performer) has ceded the right of monetary claims under such a contract.

The development of the leasing form of financial support for small and medium-sized businesses is largely associated with the improvement of the current legislation of the Russian Federation, for example, in terms of establishing the species diversity of leasing, terminating the lease agreement, pledging the subject of leasing, etc.

To ensure financial support for small and medium-sized businesses through crowdfunding, it is necessary at the legislative level to consolidate the expansion of types of financing available on investment platforms, electronic registration of real estate pledges, tax incentives for investments in small and medium-sized businesses through investment platforms, etc. (Neopulo, 2020).

In conclusion, we would like to note that without diminishing the importance of implementing the above measures to improve the financial support of small and medium-sized businesses in the regions, one should take into account the key role of the state (Shor and others, 2020). Despite the high importance of anti-crisis measures developed and implemented by the state, not all of these measures have a long-term impact, since there are risks of an increase in the fiscal and credit burden, as well as administrative costs after the end of the epidemic.

Currently, small and medium-sized businesses, among the most serious problems, highlight the inability to pay property tax and rental payments, as well as the lack of funds to pay salaries to employees and insurance contributions from the wage fund. At the same time, it is important to say that during the coronavirus pandemic, government support was mainly aimed at businesses from the official list of affected industries, and most small and medium-sized businesses could not use it, despite the fact that they tried to do so. In addition, the existing tax and credit deferrals, as well as the ability to restructure debts, are insufficient. Therefore, to promote the sustainable development of small and medium-sized businesses in the regions, a new restructuring is required. In addition, it is necessary to systematize all measures of state support for small and medium-sized businesses, regardless of the department and the region, in one digital platform, as well as the establishment of clear and open criteria for its provision. In turn, the analysis of the effectiveness of such support will allow the creation of a single register of its recipients.

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