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BANK LENDING TO SMALL BUSINESSES

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Abstract: The position on the advisability of using borrowed financial resources at all stages of small business development is substantiated, the problems of bank lending to small businesses are analyzed and directions for its expansion and improvement are proposed.

Keywords: small business, small business, bank lending, loan portfolio, loan factory.



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Introduction

Entrepreneurship is a constructive unit and a guarantee of the existence of a developed market economy [1].

Small business is an integral element of the modern economic system, without which the economy and society cannot effectively exist and develop. Independent entrepreneurs represent a large layer of private owners, thereby playing a significant role in the socio-economic life of the country [2].

The development of small businesses and the activity of entrepreneurs largely determines the level of democratization of the state and the openness of its economy. Small business solves general problems of increasing employment and welfare of the population, ensuring tax revenues to the state budget. In addition, small business increases the level of social responsibility, economic initiative and awareness of citizens [3].

Methods

The main advantages of small business include:

- lower volume of initial investment investments, which contributes to a significant reduction in construction time, re-equipment and introduction of new technologies and production automation mechanisms;

- the ability to make more flexible and prompt decisions, because in small and medium-sized businesses, the decision-making procedure has been significantly simplified, which facilitates the ability to quickly and adequately respond to changes in market conditions, as well as by moving from one type of activity to another;

- orientation to the specifics of regional markets is ensured by the ability of small and medium-sized businesses to study the wishes, preferences, customs, habits and other characteristics of the modern market and, first of all, is aimed at meeting these needs;

- optimization of the reproductive system by performing auxiliary functions in relation to large producers, that is, small enterprises performing certain tasks of a large enterprise that differ from their main activity. [4]

In world practice, the main criteria for classifying an enterprise as a small business are: the number of personnel of the enterprise (determined in accordance with the average number of permanent employees, as well as part-time workers); size of the authorized capital of the enterprise;

financial indicators of the enterprise (net profit, total income, asset turnover); type of activity [5].

The main reason why entrepreneurs strive to become a small business is the possibility of applying a simplified taxation scheme, that is, paying a single tax. [8]

The main goal of managing the finances of an enterprise of any type and size is to generate financial resources in the amount necessary to carry out current operating activities and ensure development in the future.

The initial problem of small business development is the formation of start-up capital, the creation of the necessary conditions for its expanded reproduction [2].

Some sources give a broader interpretation of start-up capital as a set of material, financial and intellectual resources that an entrepreneur has or can attract in the first year of his activity [9].

Result and Discussion

Sources of financial resources used in small businesses both as starting and in the process of further activities can be classified into one of the categories traditionally identified in financial management - own and borrowed [10]. The main distinguishing feature of own sources is their direct ownership of the enterprise as a legal entity, or their transfer on an irrevocable basis into the ownership of the enterprise to its founders and affiliates. Own sources include personal funds of the founders - individuals and legal entities, funds of relatives and friends of the founders - individuals, attracted to the business on an informal basis, as well as sources of financial resources associated with the activities of the enterprise - retained earnings, depreciation, proceeds from the sale of assets. Borrowed sources of financial resources are characterized by urgency, payment and repayment. These characteristics can vary within very wide limits, but in any case the enterprise does not become the owner of the corresponding resources.

In the process of carrying out activities, small enterprises can increase the amount of capital used - equity and borrowed capital, guided by the ideas of their managers and existing restrictions.

In foreign practice, one of the key points in capital management is the ratio of debt and equity capital. This ratio is seen as a way to assess risk for the lender. There is a practice of land agreements that define the maximum limit of borrowed capital.

Financing an enterprise from its own capital is carried out by reinvesting profits and by increasing the authorized capital of the enterprise. The condition for limiting the use of these sources to finance the activities of the enterprise is the policy of distribution of net profit, which determines the volume of reinvestment, as well as the possibility of increasing the authorized capital.

Discussion

In studies devoted to small business in Russia, difficulties with entrepreneurs' access to sources of financing, as well as the lack of conditions and interest in investing their own funds, are indicated as factors hindering its development [4]. According to the Small Business Resource Center, small businesses develop mainly from internal sources (contributions from founders, retained earnings of the organization, funds from friends, acquaintances, relatives, "partnership" loans) [8].

It should be noted that the absence or shortage of financial resources for starting a small business and the difficulties of legally acquiring them from the state can push entrepreneurs to contact the shadow economy, thereby facilitating the gradual introduction of the latter into small enterprises, subordinating them to itself [2].

As an obstacle to providing small businesses with a sufficient amount of external financing, the insufficiently efficient organization of bank lending to small and medium-sized businesses by commercial banks, as well as a poorly differentiated product line of bank loans are indicated [10].

Conclusion

An important area of work of banks with small businesses has been the development and implementation of fundamentally new credit products, primarily the so-called credit factories. Such factories are an attempt to transfer retail lending technologies to work with small and medium-sized businesses. Among the distinctive features of credit factories are a small loan volume (up to 3 million

rubles), continuous decision-making on lending (sometimes through scoring models), and the practice of unsecured loans. Some programs provide for lending not to the business itself, but to the entrepreneur as an individual [7]. In our opinion, lending to the founders, rather than the enterprise, increases the personal responsibility of the entrepreneur

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