

# Model System of Financial Support for Small and Medium-Sized Enterprises

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**Abstract** — In the period of economic crises and political instability, issues of financial support for small and medium-sized enterprises are of particular relevance. The purpose of this study is to develop a theoretical and methodological model of financial support system for small and medium-sized enterprises at the regional level. As a research methodology, the systematic approach is used, within which the methods of analysis and synthesis are applied. The article presents the model system of financial support for small and medium-sized enterprises developed by the authors on the example of the Kirov region. The aims and goals, principles, forms of financial support and indicators of its effectiveness are defined. It is proposed to use relative indicators of the credit mechanism with the addition of indicators of loan indebtedness of small and medium-sized businesses to assess of effectiveness of disbursing public funds and functioning of financial support system. The findings may be useful in developing the development strategy of small and medium-sized enterprises in the region.

**Keywords:** *small and medium-sized enterprises, financial support system, national guarantee system, the Kirov region, effectiveness of financial support*

## I. INTRODUCTION

In the period of crisis, financial support for small and medium-sized enterprises (SMEs) is becoming most relevant. Often, financial support is ineffective due to a number of circumstances: imperfection of the system and individual instruments of financial support, irresponsiveness of small and medium-sized enterprises to support, failures in the management system, regulation and control over financial flows, inadequate methods of assessing the effectiveness of using financial resources. These aspects indicate the need to further explore the issues of financial

support for SMEs and improve the existing system. The regions are more aware of business needs; the interaction of enterprises with the authorities also begins at the regional level, so it is advisable first of all to form an effective system of financial support for SMEs at the regional level [13]. The goal of this study is to develop the model of the financial support system using the example of the Kirov region, defining its aims and goals, principles, forms of support and effectiveness. The novelty of the study lies in the development of scientifically-based aspects of functioning of the financial support system at the regional level.

## II. RESEARCH METHODOLOGY

The methodological basis of the study was the main ideas covered in the works of scholars studying the problems of financial support for small and medium-sized enterprises: Shiganova V.V., Korotina N.Yu., Blinova A.O., Bukhtiyrova T.I., Dobronravova A.N., Sevikyan N.A., Tkach E.S., Khairullova A.I., Denisova N.I., Chizhenko L.M., Chizhenko I.P., Laktyushina E.V., Novoselova O.V. and also regulations of the Russian Federation and the Kirov region. The empirical base of the study was based on the reporting data of the Ministry of Economic Development of the Russian Federation, the SME Corporation, the Portal of Small and Medium-Sized Enterprises of the Kirov Region, the data of the Kirov Regional Fund for the Support of Entrepreneurship. As a part of the systematic approach, the methods of observation, analysis and synthesis were applied in this study.

### III. ANALYSIS OF THE CURRENT STATE OF FINANCIAL SUPPORT FOR SMEs

Since 2015, the Ministry of Economic Development of Russia, together with the Bank of Russia and the SME Corporation, has been implementing the SME Lending Incentive Program (the "Program 6.5"), which has greatly improved the availability of funds for SMEs [6]. Under this program, interest rates on loans for medium-sized enterprises were reduced to 9.6% per annum and for small enterprises to 10.6% [7]. To expand investment lending to SMEs, a program of concessional lending has been implemented since 2017 – on the basis of subsidizing banks the income they did not receive when providing loans to SMEs at preferential rates (interest rates are similar to the "Program 6.5"). These programs of concessional lending to SMEs, along with a reduction in the key rate by the Bank of Russia, significantly affect the conditions for lending to SMEs as a whole. In the sector, there is a gradual recovery in lending volumes [2].

In general, there are a number of positive moments in the financial sector for SMEs: improvement of the quality of the regulatory environment for business activities; improvement of the investment climate in the Russian Federation, thanks to the implementation of measures of the National Entrepreneurial Initiative; measures and mechanisms were developed to replicate the best practices to improve the investment climate; the standard to ensure the investment climate in the regions, based on certain institutions and tools was introduced; the National investment climate ranking in the regions of the Russian Federation was developed [4].

The Ministry of Economic Development of the Russian Federation notes that in 2016 the size of loans granted to SMEs reached 5,160 billion rubles, which exceeded the level of the previous year by almost 1.6% [4].

In February, 2015 a new guarantee support institute began to operate – the National Guarantee System (NGS) – which is a three-level system that includes the Federal Corporation for the Development of Small and Medium-sized Enterprises (the SME Corporation), the Russian Bank for the Support of Small and Medium-sized Enterprises (the SME Bank) and regional guarantee organizations (RGO). The NGS is designed to provide an effective system of guarantees and warranties, carried out by uniform standards throughout the territory of the Russian Federation. The consolidated amount of financial support for SMEs with the participation of the NGS at the date of 17.12. 2018 amounted to 273 billion rubles (of which 110.5 billion rubles on the NGS) and showed an increase of 180 billion rubles compared to 2015 figures [9].

The average interest rates for the studied period (2015–2018) also have an acceptable downward tendency. If in Russia as a whole, the interest rate on loans granted to SMEs decreased by 6.49%, then the rate on loans secured by guarantees and warranties of the SME Corporation decreased even by 8.48%, the interest rate on loans secured by guarantees of regional guarantee funds – by 7.65% [10]. It is necessary to note that such a reduction in the interest rate was possible by means of reducing the key rate of the Bank of Russia from 15% (02.02.2015) to 7.50% (09.17.2018).

In 2019-2024 the Ministry of Economic Development together with the SME Corporation plans the implementation of the federal project (Expanding the access of SMEs to financial resources, including concessional financing). In particular, it is planned to increase the consolidated amount of financial support provided to SMEs with the participation of the NGS and loans granted in the framework of interest rate subsidies from 1,123.5 billion rubles in 2019 to 1,172.9 billion rubles in 2024 [9].

### IV. THE SYSTEM MODEL OF FINANCIAL SUPPORT FOR SMEs

To provide effective financial support to SMEs, it is recommended to develop a scientifically based system of such support. As a part of this study, it is proposed to define the system of financial support for small and medium-sized enterprises financial as economic and organizational relations between government bodies and businesses, made in order to create favorable conditions for the sustainable development of small and medium-sized enterprises, the subject of which are financial assets and guarantees and warranties.

The purpose of functioning of the financial support system is preferential financial support for the activities of SMEs, the effective use of budget funds (Fig.).

It is recommended to highlight the following as tasks of the financial support system:

- creating favorable financial conditions for development of SMEs [16];
- ensuring the availability of funds for SMEs [8];
- creating an effective system of guarantees and warranties [3];
- attracting financial institutions to implement financial and guarantee support for SMEs based on the search for new incentives [10];

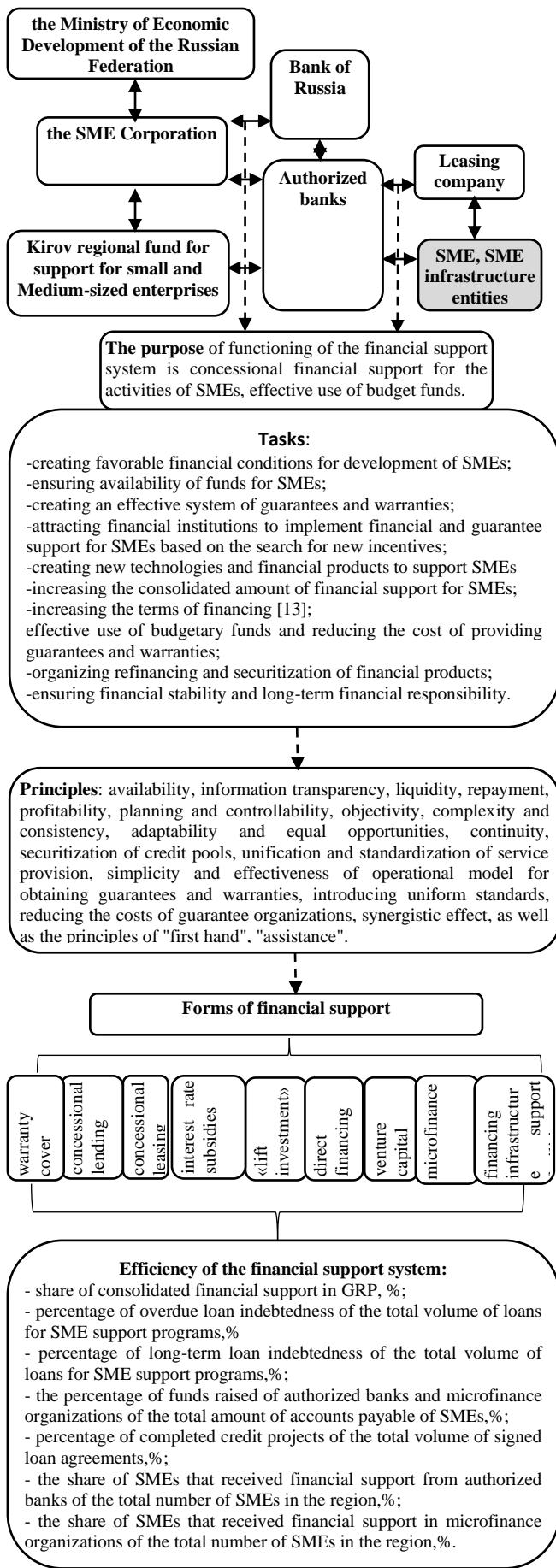


Fig. 1. The system model of financial support for SMEs

- creating new technologies and financial products to support SMEs;
- increasing the consolidated amount of financial support for SMEs;
- increasing the terms of financing [12];
- effective use of budgetary funds and reducing the cost of providing guarantees and warranties;
- organizing refinancing and securitization of financial products [15];
- ensuring financial stability and long-term financial responsibility.

The implementation of the financial support system should be based on the following principles: availability, information transparency, liquidity, repayment, profitability, planning and controllability, objectivity, complexity and consistency, adaptability and equal opportunities, continuity, securitization of credit pools, unification and standardization of service provision, simplicity and effectiveness of operational model for obtaining guarantees and warranties, introducing uniform standards, reducing the costs of guarantee organizations, synergistic effect, as well as the principles of "first hand" and "assistance" [5, 14, 11].

In present-day conditions, the forms of financial support for SMEs are transforming and changing, among which it is advisable to single out the following: guarantee support; incentive lending; granting loans for leasing operations and preferential leasing; interest rate subsidies; "Lift investment"; direct financing; venture capital funding; microfinance; financing of construction projects or reconstruction of infrastructure facilities to support SMEs.

An important element of the functioning of the system of financial support for SMEs is the assessment of its effectiveness [17], [18]. It is recommended to identify not absolute indicators of achievement of results, but relative ones, using well-known methods of evaluating effectiveness of the credit mechanism with some interpretation [1]. It is advisable to highlight the following effectiveness indicators:

- share of consolidated financial support in GRP, %;
- percentage of overdue loan indebtedness of the total volume of loans for SME support programs, %;
- percentage of long-term loan indebtedness of the total volume of loans for SME support programs, %;
- the percentage of funds raised of authorized banks and microfinance organizations of the total amount of accounts payable of SMEs, %;
- percentage of completed credit projects of the total volume of signed loan agreements, %;
- the share of SMEs that received financial support from authorized banks of the total number of SMEs in the region, %;
- the share of SMEs that received financial support in microfinance organizations of the total number of SMEs in the region, %.

## V. CONCLUSION

On the whole, summing up the study, it can be concluded that the system of financial support for SMEs integrated into the system of financial support under the programs of the Ministry of Economic Development of Russia is basically formed in the Kirov region. At the same time, development of certain forms of financial support is required: participation in RLC projects, development of the system of microloans and venture financing, expanding the availability of leasing for SMEs in the region and financial support for management companies of infrastructure facilities. At the same time, it is recommended to improve the legal framework that provides the regulation of infrastructure support for SMEs. For the effective use of budgetary funds in the regions of the Russian Federation, the authors propose a number of indicators that are relative and determine the effectiveness of the financial support system. The developed model of the system of financial support for SMEs in the region may be useful in developing a strategy for the development of SMEs in the Kirov region for the period 2019-2024.

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