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In the New Silk Road Countries”



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Leasing as a Way of Small Business Financing in Russia: Experience and Prospects

Matveychuk L.T. Matveychuk S.V.

Vladivostok State University of Economy and Service, Russia

ars86@mail.ru

Abstract

Problems of financing of a small-scale business in Russia are considered in the article. Principal causes which reduce volumes of small business creditting by banks are resulted. Advantages of leasing as a method of financing small and average businesses development are designated. The leasing financing dynamics of a small-scale business is shown. Interaction practice of leasing companies with the small and average enterprises is analyzed. The attention is paid to influence of the economic crisis on leasing financing processes. Perspective directions of using leasing in small-scale business sphere are defined.

The experience of developed countries shows that a small-scale business is one of the most important elements of effective market economy. Governments of many developed countries are concerned in solving problems of a small-scale business environment and developing government programs to support that kind of business. A small-scale business works in spheres where major companies are unprofitable or even are impossible. It fills of all lacunas in the goods and services for the population. Small enterprises are more mobile and have faster turnover capital. In that environment new business ideas and innovations are ripen more often. It is important that small enterprises have narrow enough seller's market so they can't essentially influence the prices that creates free competition.

In the developed countries the share of small enterprises is great, for example in the USA it constitutes 97%, but only 28% in Russia. [1] According to The Russian Federal Statistics Agency, number of small enterprises for January, 1st, 2008 constituted 1100 thousand units, and individual businessmen - 3,4 million persons. [2] That sector of Russian economic activity is characterized by persistent growth for a number of years. It is caused both the general economic growth of the country, and the active state policy directed on creation of favorable conditions for development of business. The new legislation on development of small and average business, a number of normative acts used to simplify small enterprises' accession to the financial and property support, certain measures on removal of administrative barriers are accepted by government. The indicated measures, however, can't remove effect of variety of general and specific factors that reduce small-scale business efficiency and scale of distribution.

One of those factors is insufficient financing activity of bank sector. There are some reasons on which individual businessmen often refuse to use bank.

First factor is high interest percent rate of bank credits. Basic causes of problematic crediting of new business are high risk for any bank. The small enterprise does not have stable reliable income and the bank cannot analyze its activity precisely enough. Crediting of a newly founded small business is carried out under higher interest rates. For banks standard schemes of loans for a small-scale business are not established. Those programs which exist now, doesn't approach all enterprises of a small-scale business. [3]

Second factor is an obligatory pledged security. Large crediting is needed in granting the lien which cost will be equal to an amount of credit. In a case if the lien is not granted, the amount of credit will be less in several times. Not all businessmen are ready to offer their business as a credit deposit, not all businessmen have a real estate or transport in their property which bank can accept as the lien.

Third factor is difficulties in searching guarantors for covering a credit. Only persons who possess own business can be accepted as guarantors. Certainly, there are funds of assistance to small