

UDC 336.6

JEL classification: O25; Q18; L15; L66

**FOREIGN EXPERIENCE OF FINANCING SMALL BUSINESS
AND PRIVATE ENTREPRENEURSHIP**

**ЗАРУБЕЖНЫЙ ОПЫТ ФИНАНСИРОВАНИЯ МАЛОГО БИЗНЕСА
И ЧАСТНОГО ПРЕДПРИНИМАТЕЛЬСТВА**

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Abstract. This article explores the specifics of the financial and credit mechanism for supporting small and private entrepreneurship in foreign countries in order to identify key areas for the development of financial and credit support for small and medium-sized businesses in the Republic of Uzbekistan. This study and study of the specifics of the financial and credit mechanism in foreign countries is an important factor in determining the optimal directions of financial and credit support for small businesses and private entrepreneurship in the Republic of Uzbekistan. The purpose of the study of the financial and credit mechanism for supporting small business in foreign countries is to formulate the main directions for improving small support based on the analytical data.

Аннотация. В данной статье изучены особенности финансово-кредитного механизма поддержки малого и частного предпринимательства в зарубежных странах с целью выявления ключевых направлений развития финансово-кредитной поддержки малого и среднего предпринимательства в Республике Узбекистан. Данное исследование и изучение особенностей финансово-кредитного механизма в зарубежных странах является важным фактором в определении оптимальных направлений финансово-кредитной поддержки малого бизнеса и частного предпринимательства в Республике Узбекистан. Целью исследования финансово-кредитного механизма поддержки малого предпринимательства в зарубежных странах является формулирование основных направлений совершенствования поддержки малого бизнеса на основании полученных аналитических данных.

Keywords: small business, private entrepreneurship, foreign experience, credit, financing, state support, financial incentives.

Ключевые слова: малый бизнес, частное предпринимательство, зарубежный опыт, кредит, финансирование, государственная поддержка, финансовые льготы.

Introduction

One of the important areas of research on the problem of bank lending to small businesses is the study of the positive experience of a number of foreign countries that have achieved the best result in this aspect. When studying foreign lending models for small businesses, undoubtedly, the main accent is made on the experience accumulated in the US, Germany, France, that is, the countries that are the main participants in international assistance programs in developing countries.

The study of this experience is of great importance for developing countries, especially from the point of view of developing a long-term development strategy and supporting small entrepreneurship and forming their own model for lending to the private sector.

American model of financial and credit support

The US model of financial and credit support is aimed at direct support to the MB through public funds, including the independent existence of parallel and jointly public and private financing. The US Small Business Administration (SBA), which has its branches, various interregional units and about 100 local Business Development Centers (SBDCs), funded by the Federal Government, has been set up as the main institution for implementing these tasks. Such centers provide a wide range of services related to specific projects in various areas of small business (for example, home-based business, technical assistance, analysis of applications for loans, etc.). Annually SBA issues over 60 thousand loans guarantees amounting to about \$ 10 billion, with about 90% of all funded assistance carried out in the form of guarantees. As a payment for the provision of guarantees, AMB takes (from the bank or its borrower) 1% of the loan amount, which in our opinion is very beneficial for the borrower [7]. The existing programs within the framework of the SBA are annually updated annually, creating new directions for the development of support for the SB. Each program has specific goals, customers, implementation segment, terms of participation. The most famous programs are “7a” and “504”. Under the program “7a” an entrepreneur can receive guarantees if for some reason he cannot provide the bank himself. So, for an amount not exceeding \$ 750,000, a guarantee is granted for 75% of the loan. For 100 thousand US dollars, 80%. The terms of the guarantee are up to 10 years for working capital and up to 25 years for the basic, while the interest rate should not exceed 2.75 points of the loan. Under the “504” program, a long-term loan is provided for the purchase of real estate, equipment, technology. The guarantee is granted under 40% of the loan, and the maximum amount should not exceed \$ 1 million. Another area of activity of the SBA is the promotion of exports, by lending to small business export operations. In this regard, the Assistance Centers have been established jointly with the US Department of Commerce. In addition, SBA provides information support and training for entrepreneurs, providing training and courses. Within the framework of this direction a special group is represented by the Centers of Women-Entrepreneurs (WBCs), specializing in the training of a business lady for the management of small businesses. The financing of this organization is carried out by the US Government. In general, SBA's program activities from the point of view of banks applying for a guarantee when lending to a small enterprise can be presented in the form of the following generalized scheme. Apparently, commercial banks, by applying for lending to a small enterprise, and having received approval from the SBA, provide loans on normal terms. If an entrepreneur delays payment on a loan for more than 60 days, the bank that issued the loan can offer the SBA to cover this debt. The organization's expenses to cover such debts are compensated by the fund's income. Thus, the activities of the SBA are aimed at supporting small businesses, which increases the access to credit for small businesses, reduces the risk of private loan capital, and indirectly brings benefits to the country in the form of profits and GDP increases [1].

German model of financial and credit support

In the German model of financial and credit support, state financing of private financial institutions that provide loans to small businesses is carried out. Crediting is carried out by state authorities at the level of the federation, federal lands, city and land districts, communities, as well as the Commission of the European Union in Brussels. With the purpose of unloading the state administration bodies and increasing the efficiency of supporting the development of small business, the functions of providing assistance to the MPs were transferred to a number of public law institutions, in particular to the specialized banks — Kreditnestaltführ Wiederaufbau (KFV) and Deutsche Ausklayhsbank, as well as to the chambers of commerce and industry.

Among the above, it is the KfV, which is the most significant specialized credit institution that carries out federal support at the federal level. Its main direction is lending to small businesses through business banks. [9] That is, the business bank monitors loan applications, passes them to the above-mentioned banks and pays the requested amount of money to small businesses. Such a scheme allows KfV to carry out concessional financing flexibly and in accordance with market conditions, while maintaining a neutral position in relation to competing business banks. Business banks take on a minimum of 50% of the risks associated with non-repayment of the loan. The remaining part of the risk of CFE takes over, and, the more risks the business bank takes on, the greater the margin it receives as an intermediary of KfV. Analyzing the experience of Germany, one should emphasize that it is preferential lending that is the most frequently used instrument of state support. Preferential loans are called in this case a hidden form of financial assistance. Among other types of hidden financial assistance in Germany, it can be noted:

- guarantees for loans, equity participation of investment companies in the capital of the SB. [3]
- a small enterprise provides a loan application to the business bank;
- the business bank analyzes the application and transfers the documents to the KfV with the calculation of the share of risk that the bank is prepared to bear against itself (minimum 50% of risk)
- KfV examines the borrower's documents, agreeing to insure the remaining share of risk and provides a soft loan to a business bank
- The business bank, having received a preferential loan from KfV, provides the funds of the SB at a predetermined percentage.

In addition, it should be noted that Germany has developed a federal program of credit support for start-up entrepreneurs. Up to 40% of investments in the creation of enterprises can be financed without providing a guarantee, through particularly concessional loans. Such loans are interest-free (during the first 2 years), or with a 10-year exemption from repayment of the loan with a maximum loan amount of 1 million euros. Such loans replace the own capital of a start-up enterprise, since the state fully assumes the risk of non-repayment of a loan.

The next program is a federal program of guarantees and sureties with the support of the MP. Specialized guarantee banks assume the risk of non-return up to 80% of the loan amount by providing guarantees and guarantees to new and existing enterprises.

It should be noted that commercial banks sign a contract with the central bank to refinance the loans issued, and the provision of loans within all state programs is carried out according to unified and transparent rules, i.e. loans are given only to creditworthy customers, which causes some interest from the point of possibility of using the experience in Germany in developing uniform methodological approaches to assessing the creditworthiness of small businesses [2].

The French scheme of financial and credit support of small business

In France there is a Society of Mutual Guarantees — an organization, founders, which are small enterprises, as well as other interested enterprises and organizations. The scope of the Company is small business. About 30% of their volume falls on industry and construction, 27%? shops, transport, tourism, 20% of trade. Since the issuance of loans to small businesses is very risky, the banks of France are lending to small businesses in close contact with this company. The society of mutually beneficial guarantees acts as a guarantor for small enterprises, decides on the expediency of obtaining a loan by a particular enterprise, makes up for it a “dossier” that is transferred to the bank. As a result of its activities, the Company spreads the risk of one client to many.

Another organization that plays an important role in supporting small business is SOFARIS, a state-owned joint-stock company for the insurance of credit risks of small and medium-sized enterprises. In France, there is a well-developed structure of small business organization and its

financial and credit support. The enterprise must provide the bank with an estimate of the costs that are to be lent to obtain a loan. The bank checks that the estimate is not overstated (it is unprofitable for the bank, as its resources are irrationally diverted), and was not understated (in this case, the company may not have enough funds). To ensure timely repayment of the loan, the bank will require a guarantee from the enterprise, it can use mortgages (pledge of land), pledge of movable property, surety. The guarantor for small enterprises is the Society of Mutual Guarantees. At the expense of contributions of members—participants of this society, a guarantee fund is created [7].

It serves to compensate the losses of members of the company, as well as credit risk to the bank. The Society of Mutual Guarantees provides a dossier to its clients in the bank. Without a dossier, the bank does not essentially consider the issue of granting a loan. But before submitting a dossier to the client to the bank so that he can receive a loan, the Company itself assesses the risk of a particular financial transaction and decides whether it is advisable to obtain a loan.

A mutual guarantee company distributes the risk of one client to many. If the Company does not have enough funds from the guarantee fund, then it can use its initial capital, which was formed at the time of the creation of the company.

The main company for insurance of credit risks in France is Sofaris (State Joint Stock Company for Insurance of Credit Risks of Small and Medium Enterprises). At the same time, the state, participating in its own funds in credit risk insurance, does not interfere in the activities of the bank that works with small business, nor in the activities of Sofaris. Sofaris does not have direct links with the enterprise, but only with banks. Sofaris is a mixed economy society: 34% state contribution, 46% banks and other institutions. The amount of Sofaris in the capital is 19% [37]. Sofaris shares responsibility for credit risk between the state, banks and insurance companies. Sofaris does not analyze credit risk, but delegates this work to banks. Banks are preparing a file on clients, whose credit risk is insured by Sofaris. If the risk is not justified, then Sofaris does not compensate for the damage that may lead to bankruptcy. If a small business does not return a loan on time due to its insolvency, the bank notifies Sofaris of this and asks to cover the insured risk. In turn, Sofaris asks the bank to make certain reimbursement of damage on the insured loan at the company's expense (use of the lien, sale of a part of the enterprise's values, etc.). SOFARIS compensates only those losses, it is impossible to compensate by other methods. At the same time, the interest on the loan is refunded. Usually for investments SOFARIS compensates for the loss when approximately 50% of the capital is lost [5].

Another important aspect of supporting small businesses is the experience of France in establishing partnerships with clients and providing them with consulting and training services. In the practice of banking services for small enterprises in a country where there is clearly a tightening of competition in connection with the unification of the European Union, there is a formation of long-term bank relations with small business representatives, even in the case of a transition to a new higher level of economic activity.

In our opinion, this approach is very useful for Russia, since consulting and training services of banks are poorly developed in our country, this can give domestic banks additional benefits, increase the loyalty of entrepreneurs to the bank and its bank status. Such a bank may later become a “home” bank, where small businesses will store savings and savings.

Comparing politics and attitude to small business in industrialized countries, it is rather difficult to make clear and clear generalizations. An analysis of foreign experience of lending to small businesses shows that when choosing the means of financing their business they can use the funds of investors or creditors. But with the money of the creditors, we must give certain promises to return the borrowed amount taking into account the value of interest, as an irrational payment for the use of another people's money [5]. Failure to fulfill this dual obligation may result in the bankruptcy of a small enterprise. Money investors do not connect small businesses with promises of reimbursement: investors, as a rule, buy shares for their countries and risk. So, if they want to sell their shares, they cannot force the entrepreneur to buy them back. They also do not always have the right to make a profit on their investments, at least until the small enterprise starts making profits

and announces the payment of dividends [8]. One of the most painful subjects for small businesses even in industrialized countries is the question: “From what sources is it best to mobilize the necessary financial resources?”. Note that there are many such sources, both private and public, acting in the form of share capital (investor capital) and equity — in capital (equity lenders).

To obtain the share capital, you can use:

- venture risk (venture) investment company;
- companies for investment in small businesses;
- large enterprises;
- friends, relatives and, what is most important, the entrepreneur’s own means.

To obtain loan capital, you can use:

- commercial banks and other private lenders, including financial and insurance companies, friends and relatives;
- suppliers;
- federal, state and local government organizations, primarily the Small Business Administration (AMB).
- the most interesting among the various financial companies in the United States are:
 - traditional partnerships, which are often created by well-off families with the aim of “aggressively disposing” part of family funds by investing them in small businesses;
 - funds managed by professionals, functioning as traditional forms of social partnership and managing the money of various organizations;
 - investment banking companies that periodically form investor associations to find attractive venture capital firms;
 - insurance companies that are usually more conservative and often require a small share of the share capital as a means of protecting against inflation.

Typically, commercial banks prefer options for rapid turnover of funds, i.e. short-term loans for a period of one year. Such funds are usually used to create stocks or finance buyers buying on credit. The entrepreneur in this case repays the debt, selling the created reserves or receiving from the consumers the money due to him. Short-term loan serves to meet the temporary needs of the entrepreneur in cash, called self-liquidating. Since such loans are provided for a short period of time (up to one year), they are often not subject to security. In this case, the pledge is not mandatory, since the bank relies entirely on the creditworthiness of the entrepreneur. If the creditworthiness of an entrepreneur is in doubt, then in this case the creditor may demand a pledge as a means of protection against a possible non-repayment of the loan. The loan, provided on bail, is called secured or pawnshop [6]. Long-term loans play an important role in meeting the constant need of small enterprises for cash. They are provided for a period of more than one year and enable entrepreneurs to finance the purchase of fixed assets (buildings, structures, equipment, land, vehicles, etc.). Debt recovery is carried out, as a rule, from the profit of a small enterprise.

Sources of loan capital for small enterprises can also be large enterprises with high competitiveness and public financial and credit institutions, such as the Small Business Administration and the US Department of Commerce. As a rule, financing of various programs is carried out in the form of loans under the guarantee; on the development of foreign trade; direct loans; for environmental protection measures; loans to small businesses owned by women; loans in support of entrepreneurs with physical or other disabilities; loans for the implementation of special projects for investment in small enterprises belonging to representatives of national minorities, etc.

In order to promote the creation and development of small enterprises in Germany, the following is used: free provision of necessary information; consulting services; financial support; granting loans with a relatively low interest rate and preferential repayment terms; tax benefits; stimulation of growth of own capital, etc. An important role in the system of supporting small businesses in Germany is played by the tax policy, which includes more than 180 tax incentives,

including: reduction of the tax on income from commercial activities; exemption from corporate tax; discount from property tax and inheritance tax; systematic reduction of income tax, etc.

Quite widely used in Germany is the mechanism of loans and subsidies for small businesses in the form of investment loans, grants and the payment of training. In general, the small business support system in Germany has a clearly expressed protectionist character, which positively affects the rates of economic growth and the level of well-being.

Conclusion

In conclusion, having studied the foreign experience of financial support of the MP in the US, France and Germany, make the following generalizations and conclusions:

1. Analysis of foreign experience in the development of small business shows that the role of small businesses in the economies of countries with developed market relations not only does not weaken, but, on the contrary, increases. And this is due to the growth of financial and credit support, which is implemented through concessional lending to investment projects implemented by small enterprises.

2. In foreign countries there were two main models of lending, American and German. As the study showed, the American model assumes the parallel existence of a state infrastructure for supporting small businesses and commercial credit organizations that carry out lending on their own behalf and at their own expense. In turn, the German model, which assumes the indirect participation of the state in lending to the MT, consists in using commercial credit organizations as intermediaries in the state lending to the MT.

3. Common to all foreign schemes of lending to SB is the participation of the state, both in providing legal guarantees for the activities of the subjects of the credit transaction, and in providing specific financial assistance.

4. The experience of France for Russia can be useful when deploying the field of consulting and training services to entrepreneurs. Adapting the French experience can give domestic banks such additional advantages as increasing customer loyalty and raising the status of banks in the face of entrepreneurs. Such banks may later become a “home” bank, where small businesses will store savings and savings.

In this regard, it is very important for domestic banks, following the experience of France, to develop the following areas of their activities with small enterprises:

–development and introduction of new banking products for small enterprises: factoring, assistance in investment design, provision of commercial information, insurance and guarantee services;

–Forming a policy of “client escort”, which will increase the bank’s image in the face of entrepreneurs, thereby strengthening their loyalty and trust, which will increase the status and financial stability of banks.

5. Germany’s experience in providing information support through economic and technical advice to beginning entrepreneurs, as well as in the development of their concessional lending system. Beginning domestic entrepreneurs who do not have a credit history, the development of such a system of lending on the German experience will solve the problem of starting capital of a beginner entrepreneur.

6. The US experience is interesting from the point of view of the approach of American banks to small business cooperation as to the strategic sector of banks’ activity, as well as from the point of view of developing and applying new profit and risk management tools for small businesses. In particular, according to the experience of the United States, it would be possible to adopt a special federal law, in which a risk management database will be created. This will enable banks to reduce risks when lending to SB.

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*Работа поступила
в редакцию 10.02.2018 г.*

*Принята к публикации
14.02.2018 г.*

Ссылка для цитирования:

Baeva Sh. Foreign experience of financing small business and private entrepreneurship // Бюллетень науки и практики. 2018. Т. 4. №3. С. 241-247. Режим доступа: <http://www.bulletennauki.com/baeva> (дата обращения 15.03.2018).

Cite as (APA):

Baeva, Sh. (2018). Foreign experience of financing small business and private entrepreneurship. *Bulletin of Science and Practice*, 4, (3), 241-247