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CURRENT STATE AND DIRECTIONS OF DEVELOPMENT OF BANK LENDING TO SMALL AND MEDIUM BUSINESS IN UKRAINE

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ABSTRACT

The article analyzes the current trends in bank lending to small and medium-sized businesses in Ukraine and banking products and programs to help small and medium-sized businesses provided by individual state-owned banks. Conclusions on the current situation are substantiated and the directions of development of bank lending to small and medium business are determined.

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Problem statement. At the present stage, taking into account market relations and technology development, the full implementation of innovative and social functions of enterprises is the basis for Ukraine's economy to emerge from the crisis, thus determining the importance of state support. Considering the constraints on the development of small and medium-sized businesses, it should be noted the main problem is the lack of financial assets, which creates the need to find and attract new resources. The most popular source is bank lending. Nowadays, analyzing various forms of borrowed capital, lending has become necessary to ensure the proper functioning of enterprises.

In a market economy, the importance of lending is most reflected in the optimization of the proportions of social reproduction. It belongs to the traditional operations carried out by the bank. We can assume that loans issued by banks play the largest role in the development of the country's economy, in addition, the level of the country's economy has a significant impact on lending. Considering the lending process in market conditions, it should be noted that yes, the importance and content is reflected in full.

Today, one of the biggest problems of small and medium-sized businesses in Ukraine can be called a significant limitation of financial and material resources, to solve this problem, businesses are looking for new approaches, schemes and mechanisms for financial support of their projects. Thanks to them, given the significant lack of public funds aimed at developing the real sector of the economy and the impossibility of active external borrowing due to limited resources in external financial markets in the financial and economic crisis, bank lending mechanisms of this type form the basis for

small resources and medium enterprises. It can be assumed that a bank loan opens new opportunities for entrepreneurs to implement projects and succeed in business.

Analysis of recent research and publications. The study of lending processes in the modern scientific literature is devoted to the work of many domestic and foreign experts, in particular, this issue was studied by: I.I. Volos [1], N.I. Versailles [2], O.A. Sich [1], V.V. Turchak [3], O.M. Yunko [7] and others.

The purpose is to analyze the current state of bank lending to small and medium enterprises (SMEs) in Ukraine.

Presenting main material. Lending and credit relations are an integral part of the banking system of Ukraine. The lending industry is directly related to the general requirements of the domestic production process. Being in the middle of the current monetary and financial economy, using the interest of economic entities, credit expresses the relationship between the state, the bank, economic entities and the population. At present, the loan mediates all production processes and serves to enable the use of limited resources and increase the profitability of production. It should be noted that bank lending is considered in a voluminous and concise sense. In a broad sense, bank lending is characterized as a form of loan capital movement in which a commercial bank acts as an intermediary. This interpretation comes down to the fact that the bank is considered both as a lender and as a borrower [4, p. 298]. From a theoretical point of view, this is true, but from a practical point of view, such a comprehensive interpretation of bank lending complicates the object of study, because active and passive operations of banks have not only different positions but also different mechanisms of development and management. In a nutshell, bank lending is just a form of loan capital movement between a bank as a lender and various economic entities such as borrowers.

Throughout the developed world, small and medium-sized businesses are the driving force of the economy and the backbone of the middle class. The activities of small and medium enterprises provide employment, as well as the receipt of tax and other payments to the budget. It is a powerful factor in the development of scientific and technological progress and forms a healthy competitive environment in the economy [1, p. 421]. The economies of developed countries are based on small and medium-sized businesses. Thus, in 2017, the share of the number of people employed in SMEs exceeded 50% (Poland - 67.6%, Germany - 63.2%, Great Britain - 53.5%, France - 53.4%). The share of their number exceeded 99% of the total number of enterprises (Poland, France - 99.8%, Great Britain - 99.7%, Germany - 99.6%). The share of SMEs in the GDP of many European countries exceeds 50% (Poland - 50.2%, Germany - 54.6%), in the UK - 49.4% [3, p. 39; 6].

If we consider the problems of the domestic economy, one of the most important and relevant is the lack of positive dynamics in changing the level of competitiveness of small and medium enterprises and the slow development of the economy as a whole. There are several approaches to improving these trends. One of them is the development of small and medium-sized businesses, as well as startups and business ideas that are flexible and can implement innovative products, new production technologies. Another fact in favor of the development of small businesses is that their development does not require a large amount of start-up investment. No less important is the fact that they are able to respond faster and more efficiently than representatives of big business to changes in the economy and deal with the problems of the crisis economy of our country.

According to the State Statistics Service of Ukraine, in the structure of domestic entrepreneurship by the size of enterprises as of the beginning of 2021, the number of small enterprises was 357,500 units, i.e. 95.2% of the total. The share of medium and large enterprises is 4.7% (17,604 units) and 0.1% (512 units), respectively [5]. According to the Ministry of Economy of Ukraine, large and medium-sized enterprises in Ukraine generate 73% of GDP; SMEs in Ukraine bring 55% of GDP to the country's economy, i.e. micro and small enterprises in Ukraine are only 16% of GDP [8]. One of the main sources of financial resources for enterprises, including medium and small enterprises, is capital investment [1, p. 421; 9; 10].

Examining the pace of bank lending in 2021, large and small businesses amounted to UAH 497 billion. The reasons for the decline in bank lending to businesses of different sizes are: declining demand for credit resources from SMEs, including competitive pressure from other financial institutions; high level of interest rates on loans; moderate increase in credit risk; insecurity of creditors' rights; complicating banks' access to Western capital markets due to the coronavirus pandemic; lack of liquid collateral for SMEs and non-transparent conduct of business in Ukraine in general, in particular the lack of financial reporting for SMEs. SMEs' access to credit is difficult, and it is virtually closed to a number of companies. There is an increase in the requirements of banking institutions to borrowers, which include: 1) the availability of liquid assets for collateral; 2) quite a

long time of existence of the firm; 3) the profitability of the company; 4) justification for spending funds; 5) transparency of reporting; 6) positive credit history, good reputation of the company.

There are programs that allow banks to make loans cheaper. These are programs of financial institutions in the framework of cooperation with various foreign funds and structures (German-Ukrainian Fund, Western NIS Fund, European Investment Fund, etc.). They allow the gradual introduction of new types of financial support in Ukraine, namely - partial compensation of interest rates on loans provided for business projects, compensation for lease payments. It is envisaged to expand the microcredit program, as well as to develop appropriate infrastructure support [7, p. 193].

It should be noted that the factor contributing to the active development and growth of loans to SMEs is the implementation of the State Program "Affordable Loans 5-7-9%", which was introduced in February 2020. This program aims to support investment projects of small and micro enterprises, which should have a positive impact on the number of new jobs, legalization and expansion of small businesses, and the global goal is import substitution and return of migrant workers. The Fund for Entrepreneurship Development and partner banks, which use lending technologies for small and micro enterprises, are responsible for its implementation.

As a result of the program, the state has the opportunity to reimburse rates to the level of:

- 3% on refinancing loans of previously received loans;
- 3% on anti-crisis loans, which were implemented in order to overcome the negative consequences of the introduction of quarantine measures to prevent the spread of acute respiratory disease COVID-19;
- 5-7-9% (depending on income and job creation) for investment projects.

According to the Ministry of Finance of Ukraine, to date, agreements have been concluded between the Fund for Entrepreneurship Development and 29 banks on cooperation, among the banks there are 4 state and several with foreign banking groups (Credit Agricole Bank, OTP-Bank, Raiffeisen Bank Aval, ProCredit Bank, Alfa-Bank, Kredobank and others), as well as a number of banking institutions with private capital: FUIB, Lviv Bank, Globus Bank, MTB BANK, TASCOMBANK, Megabank, etc.

Under the State Program, the largest share of loans received by enterprises was used to refinance previously received loans - 44%, anti-crisis loans - 42%, for investment purposes - 14%. loans from the total amount, the most active creditors were three state banks - "PrivatBank", "UkrGasbank" and "Oschadbank". Banks that have become the most active lenders are reflected.

According to the Fund for Entrepreneurship Development [3], researching each of the regions, according to the loan portfolio at the end of 2021 under the program "5-7-9" the leaders are several regions, whose loan portfolio is 40%, including: Kharkiv, Lviv, Kyiv, Dnipropetrovsk and Vinnytsia regions, as well as the city of Kyiv. The least developed lending is observed in Chernivtsi, Zakarpattia, Donetsk regions, Luhansk.

Today, state banking institutions of Ukraine provide a number of financial and consulting products for SMEs. Thus, Oschadbank JSC introduced the following financial products: promotional lending for agro-industrial complex; program of partial compensation of the cost of agricultural machinery and equipment of domestic production; social investment program in conjunction with WNISEF; SME support programs from local governments; bank guarantee; blank (without collateral) overdrafts of SMEs; lending to condominiums / housing and communal services; avalization of bills; acquisition of new and used vehicles, agricultural machinery and equipment [8]. There is also a program to support entrepreneurship "Build your own", the main purpose of which is to provide small and medium enterprises with the following opportunities: training and consulting for entrepreneurs and startups; fast account opening, instant card and convenient internet banking; tools for doing business from program partners on attractive terms; receiving financial support [11].

JSC "Ukreximbank" introduced a number of financial products for small and medium enterprises, including: loans to SMEs in the agricultural sector, namely loans for the purchase of: fuel, fertilizers, feed, equipment repair, agricultural machinery and equipment, animals, perennials, elevators, farm buildings and service buildings; lending under the program "Belarusian imports": the purchase of agricultural machinery, equipment, machinery, vehicles and other financial products [11].

JSC "UkrGasbank", as a socially-oriented bank, pays special attention to SMEs whose activities are related to the implementation of environmental and energy efficient projects, "green technologies", projects using secondary raw materials, alternative energy sources, environmental protection, etc. [8].

Table 1. Banks that have issued the most loans under State program

Name of the bank	The purpose of the loan	Percentage of all loans
JSC Oschadbank	Refunding	24%
JSC Ukreximbank	Refunding	14,6%
JSC Ukrgasbank	Refunding	14,4%
JSC Oschadbank	Anti-crisis lending	20%
JSC Ukreximbank	Anti-crisis lending	12%
JSC Ukrgasbank	Anti-crisis lending	11,6%

A source: Developed by the author according to [9]

If we study the sphere of economic activity (Fig. 1), for which loans were allocated, the following structure is observed: for agricultural purposes - 51% of the loan portfolio, trade - 22%, industrial development - 16%, sales goals in the service sector - 7%, in the construction sector - 2% and in other activities - 2%.

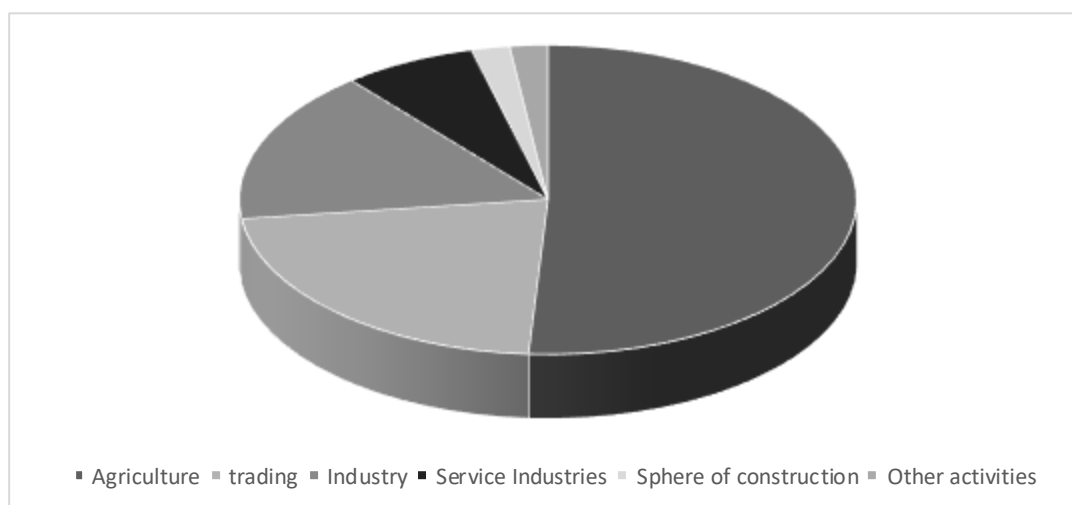


Fig.1. Structure of spheres of economic activity
 A source: Developed by the author according to [9]

Data from the Entrepreneurship Development Fund, as of the end of 2021, show that the leaders in the size of SME guaranteed loan portfolios are Oschadbank - UAH 445.7 million, Ukreximbank - UAH 124.3 million, Ukrgasbank - UAH -112.6 million. UAH, UAH 4.4 million to PrivatBank.

From the above data it can be concluded that the highest result of financial activity has Oschadbank, then with a big difference - Privatbank, which is on a par with other banks in Ukraine. To improve bank lending, we consider it necessary to offer banks to apply a scoring model to minimize risks in lending to businesses, which is to create appropriate conditions and technologies by which, based on the credit history of "past" customers, the bank tries to determine how likely that an individual potential borrower will repay the loan within the stipulated period. Scoring systems, in our opinion, are a very convenient tool for assessing creditworthiness. Banks also need to create competitive and attractive business proposals that take into account the specifics of bank lending to domestic enterprises to reduce the bank's lending risks, work hard on bad debts, including their sale and restructuring, and consider banks' opportunities to increase long-term lending. to assess indicators of creditworthiness of borrowers. Banks should encourage companies to turn to them through more attractive offers than competitors, as well as through lower interest rates.

Conclusions. Today, loans for SME development are a promising segment for the development of banks. The basis for the development of this area is the need for small and medium-sized enterprises to attract additional funds, one of the areas of activity of banks, which is actively developing is the implementation of highly specialized partner lending programs. To ensure significant potential for the development of such programs requires state interest in business development and the implementation of government programs aimed at reducing the cost of credit. In this situation, it would be logical to gradually increase the size of the SME portfolio. And the incentive that will work in addition may be to increase the transparency of doing business.

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