

Thus, the Belarusian desire to work abroad can and should contribute to strengthening the security of the Republic of Belarus in the economic sphere [6].

In order to regulate the labor movement in the Republic of Belarus formed migration legislation that meets international standards, rules and regulations. The current legal framework in Belarus protects the national labor market from uncontrolled tributary international labor rights of migrant workers, their social protection. It helps support the activities subjects of economy dealing with employment of Belarusian citizens abroad, and therefore mitigate the situation on the labor domestic market.

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STUDY OF THE DEVELOPMENT OF BANK LENDING OF SMALL AND MEDIUM BUSINESS IN THE REPUBLIC OF BELARUS

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Lending of small and medium enterprises (SME) is one of the most priority-oriented directions of commercial banks activities. In this article, using statistical data, the author examines factors which affect the growth and slowdown in the development of lending over the past five years and analyses factors that influenced the reduction in the volume of SME lending and the growth of overdue debts.

Small and medium business is an entrepreneurial activity carried out by subjects of the market economy under certain criteria established by law. In particular, the Law of the Republic of Belarus of 1 July 2010 № 148-z "On the development of small and medium enterprises" to small business related enterprises with number of employees up to 100 people to medium business up to 250 people. One of the characteristics of small and medium enterprises is their financing. As a rule, they lack their own capital for a successful business and have to find extra resources, what means "building relationships with commercial banks in lending" [1].

Commercial banks, in their turn, facing fierce competition in banking are starting to pay an increasing attention to crediting of small and medium business with the purpose of development of separate spheres of crediting and attraction of new clients. In this regard, over the past few years, commercial banks have significantly eased their lending requirements, have launched a preferential loan program and now offer new loan products. Currently the majority of banks provide loans to small and medium-sized businesses including Development Bank, Belagroprombank JSC, VTB Bank, Alfa Bank and many others. In this case the allocation of the enterprises of small and average business in a single segment allows banks to operate within it on the basis of maximum consideration of mutual interests.

Despite the continuing problems associated, primarily, with the effective assessment of potential borrowers from the small business sector and their high credit risk, generally there has been (2010–2014) a steady increase in the number of loans given to SMEs in the past few years (Figure 1).

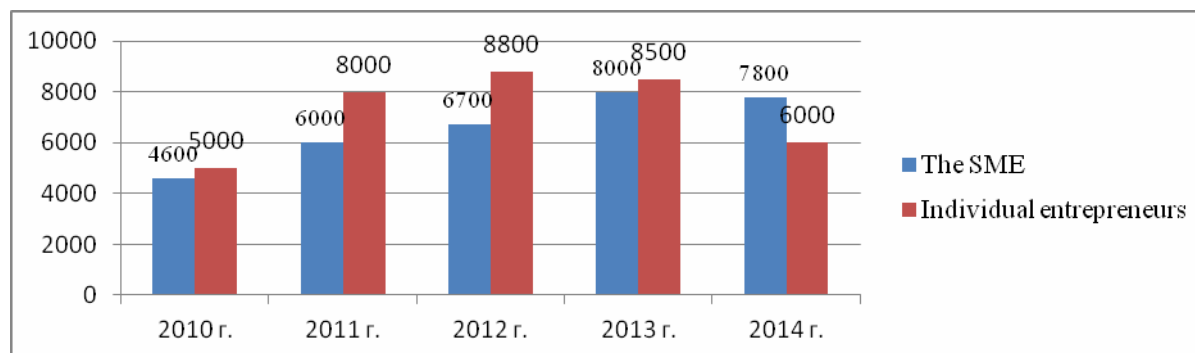


Fig. 1. Dynamics of the number of loans given to SMEs in 2010–2014, thousand units

Source: [2].

As can be seen from the chart, the number of growth rate of loans (including loans granted to individual entrepreneurs) declined annually, and in 2014 – there was a negative dynamics. As for the structure of credits granted by commercial banks to SMEs, it changed slightly during the analyzed period: on the one hand, there was a steady increase in the share of short-term credits – up to 12 months, which are issued as a rule, to close the "cash gap" and, consequently, reduced the share of long-term investment loans, i.e. related to the expansion and business development; on the other hand – significant changes occurred in industries – still lending trade remains the dominant segment (over 50%).

As a separate segment lending to SMEs started to develop in 2010. So, at the end of 2010, the growth rate of loans granted to small and medium businesses amounted to \$ 56, 07%, what significantly outruns other major segments – retail and corporate lending. The reason for this is the decrease in average market rates on loans by 2.5 percentage points (from 16.7 to 14.2 percent) and optimization of product lines and implementation of pent-up demand of potential borrowers [2].

In 2011, the growth rate of lending to SMEs declined slightly – 28,72%. The reason of this reduction was the departure of borrowers "in the shadow" due to the growth of social insurance payments, as well as the liquidity shortage that led to more expensive loans. Large banks shifted its focus of lending to big business. The market leader of SME lending – the Bank of Development – relies on the introduction of the two main approaches to SME lending: credit factory (the provision of small loans based on the scoring programs) and factory business processes. Both directions started their active development since at end of 2011.

In 2012, the growth rate of SME loans portfolio continued to decline – 14,64% compared with the previous year. However, in general, this showed better results for large business lending (+11%), but significantly behind the dynamics of the retail segment (+39%) [2].

The main factors slowing down the lending to SMEs was a decrease of banks' interest risk, increase the fiscal burden on small business and the slowdown in the economy. At the same time increased activity of banks in the development of short-term micro-loans to small businesses. In addition, in the face of declining income from lending large banks are actively implementing the service of SMEs for complex tariffs with the objective of increasing fee income.

In 2013, the SME loans portfolio grew by only 16,63%. The reason for this was several factors: the slowdown in the economy as a whole, the growth of credit turnover of factories and, consequently, reduce their contribution to total SME portfolio and continued decrease of potential borrowers as a result of high social security contributions for small businesses and sole proprietors.

Thus despite certain problems, for the period from 2010 to 2013, lending to small and medium business in the Republic of Belarus slowly, but developed. Developed the technology of mass of credit, created special products. The big banks were able to stabilize and successfully manage higher levels of arrears, characteristic of similar products. However, a significant deterioration of the economic situation in the country in 2014 has dealt a severe blow to this sector of Bank lending.

So, by the end of 2014 the SME loans portfolio for the first time in the analyzed period has shown a negative growth rate – (–5,63%), due to the deteriorating financial condition and decrease in payment discipline of subjects of small and medium business (growth in overdue loans in the SME segment), as a result, banks tightened requirements to borrowers throughout the year. Additional pressure on the growth of the market was rendered by the reorientation of the leading banks on the financing of large Belarusian companies. Large banks reduced the volume of unsecured credit to virtually zero.

Thus, the main factors contributing to the decline of lending to small and medium-sized businesses in 2014, should include the following (Figure 2).

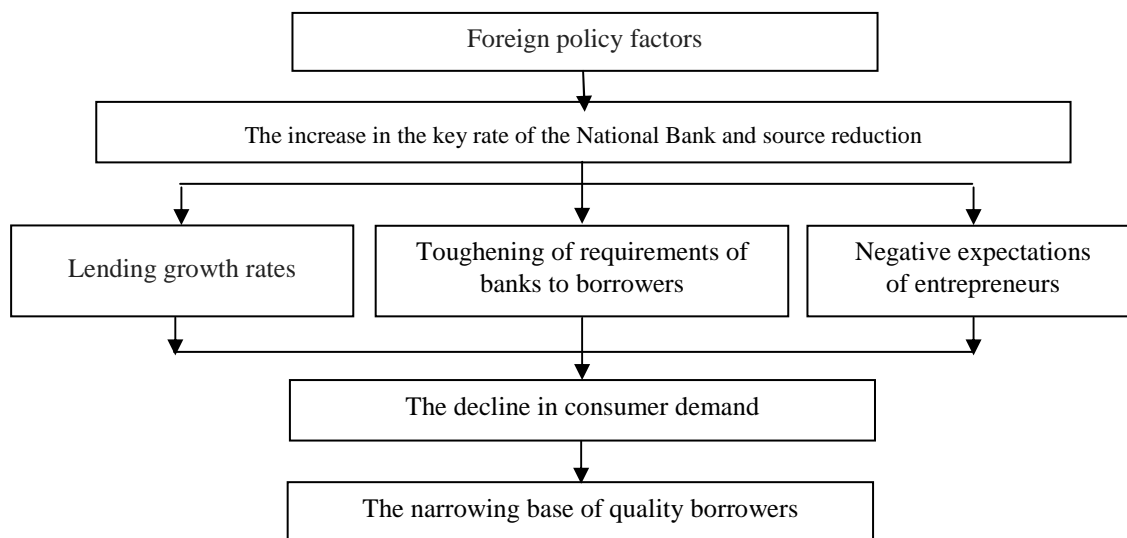


Fig. 2. Factors contributing to the decline in lending to SMEs in 2014

Source: [2].

Effect of selected negative factors was a significant decline in lending to small and medium business for January–February 2015 (Figure 3).

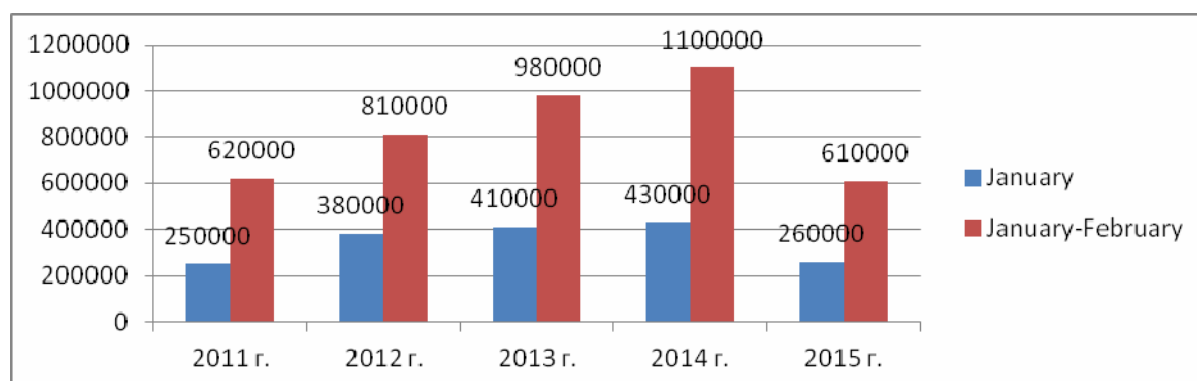


Fig. 3. Amount of loans in January-February in 2011–2015 (million rubles)

Source: [2].

As can be seen from figure 3, in January–February 2015 volume of loans extended to SMEs are significantly lower for the same periods of previous years, indicating a decrease in business activity in this segment. Despite the fact that the deteriorating financial results of enterprises increases their demand for debt financing, entrepreneurs ascertain the reduced availability of funding. In this situation, the experts identified the following key "drivers of growth", which will help the SME lending market: government support, the extension of the guarantee arrangements, the inflation and rates, as well as the simplification of requirements to borrowers.

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