

organizations in the Republic of Belarus on the basis of the positive advanced foreign experience and taking into account peculiarities of functioning and development of the national economic system.

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**BANK LENDING AS A SOURCE OF FINANCING OF INNOVATIVE ACTIVITY IN THE REGION
(ON THE EXAMPLE OF VITEBSK REGION)**

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The article considers the concept of innovation. Reveales the essence of the mechanism of financing of innovative activity, the use of preferential lending of innovation activity. Presents the mechanism of Bank lending with a description of the terms of concessional lending.

Problems of financing of innovative development of the Republic of Belarus are among the most relevant. In the volatile environment of financial markets and limited state financial resources, the implementation of large-scale investment and innovation projects is possible only with the support of financial and credit system under the public-private partnership. The system of interaction between science, business and government in the financial, production and innovation can and should become a "growth point" of innovative economy" [1].

Bank loans are one of the most important sources of financing for innovation companies at all stages of development. Banks represent a significant potential for lending to potential investors in the process of refinancing and the subjects of innovative activity [2].

However, banks do not perform a large-scale financing of innovative projects. Such funding is not attractive for banks because it involves the provision of money under innovative idea, but not under the pledge of movable and immovable property. Currently, most banks provide loans only to sustainable businesses, mainly in the short term for the purpose of replenishment of working capital [3].

The main causes of underdevelopment of Bank financing of innovations are the short investment horizon and high risk investments in innovation projects [2].

The benefits of Bank lending are the possibility of raising funds in large volumes and in providing independent monitoring of the effectiveness of the investment.

The disadvantages of Bank lending are a long and complicated process of attraction of investments; high interest rate of crediting of innovative projects, the need to provide evidence of financial efficiency and stability, high risk of insolvency and bankruptcy, lower profit due to payments on loans, the probability of loss of collateral and rights to control the company [4].

In accordance with the decree of the President of the Republic of Belarus of 21 may 2009 No. 255 "On some measures of state support of small entrepreneurship" one of the sources of financial support of subjects of small business are preferential loans provided by the banks at the expense of means of local budgets stipulated by the program of state support of small and medium entrepreneurship and placed into deposits (deposits) of these banks [5].

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In priority directions of investment projects and business projects included the introduction of new technologies [6].

Banks with participation of representatives of regional Executive committees and Minsk Executive Committee carry out the selection and examination of investment projects, business projects of small businesses for providing them with concessionary Bank loans within the limits placed by the regional Executive committees and Minsk city Executive Committee amounts of money. All questions connected with crediting, are solved by the borrower and the Bank on a contractual basis through the conclusion of the credit agreement [7].

The issues of preferential loans to small businesses engaged in structural subdivisions of JSC "Belagroprombank", OJSC "ASB "Belarusbank", "Belinvestbank", OJSC "BPS-Sberbank", "Priorbank" JSC, OJSC "Belvnesheconombank". JSC "BPS-Sberbank" carries out crediting not in the Vitebsk region [8].

After analyzing the conditions of preferential crediting of small business entities in the above-mentioned banks, we can say that mostly all banks have the same conditions, namely:

- the interest rate of preferential loans is 0.5 of the refinancing rate plus 3 percentage points (15.5 percent);
- the term of the contract does not exceed 5 years;
- prerequisite is the creation of new jobs.

Table presents the basic data needed to analyze the lending of innovation activity in the Vitebsk region.

Table – Data on crediting of innovative activities in the Vitebsk region (Belarus)

Index	2011*	2012*	2013*	2014
Funds of the Vitebsk regional Executive Committee in deposits for purposes of preferential crediting of subjects of small business, bln. RUB.	3,14	9,33	20,55	16
Refinancing rate, %	21,57	34,45	25,62	21,51
The volume of credits and loans for innovation activities, billion rubles.	181,1	392,2	187,2	379,9
The proportion of borrowings in the structure of sources of financing of innovative activity, %	13,2	20,6	7,9	19,8

* – The data in a comparable form.

Source: own elaboration on the basis of special literature

After analyzing the dynamics of changes in 2011–2014 the refinancing rate of change of the specific weight of borrowings in the structure of sources of financing innovative activities and the volume of credits and loans, as well as changes in the volume of funds placed by Vitebsk regional Executive Committee in deposits for purposes of preferential crediting of subjects of small business, it can be concluded that these indicators are not interlinked and do not depend on each other.

Correlation analysis of dependence of volume of credits and loans from funds placed on deposits of banks the Executive Committee for concessional lending and refinancing was also held. According to the results of calculations of the correlation coefficient in the first case amounted to 0,1731, the second – 0,4586. This suggests that these instruments mathematically are not closely related to the volume of lending of innovation activity.

Based on the foregoing, we can conclude that the volume of credits and loans received from the industry on technological innovations, has no direct relation, both mathematically and statistically from the refinancing rate, and from the funds of the regional Executive committees placed on deposits of banks with the aim of lending of these funds for innovative projects.

Thus, preferential loans provided by the banks, are not used to its full extent as a source of financing of innovation activities. Therefore, it is obvious that the mechanism of Bank lending of innovative activity is not effective and needs improvement.

Thus, it can be concluded that the concessional lending of innovative activity is not developed in the Vitebsk region and requires improvement.

This may be due to the following factors:

- 1) there is no single mechanism governing preferential loans for innovation activities.
- 2) cash requirements of enterprises engaged in innovation activity are much more than local budgets can put into hoards in banks.
- 3) interest rates on loans depend on the refinancing rate, which is quite high compared with other countries.
- 4) not every company can take advantage of the reduced credit because of the high requirements.

As previously noted, the existing mechanism of crediting is not effective because, despite of the fact that the interest rates for preferential lending in Belarus is significantly lower than conventional lending, 15.5 percent is quite a high cost of capital, especially in conditions of financial instability, as well as taking into account high level of risks in the implementation of innovative projects. Therefore, we can propose the following mechanism of lending of innovation activity.

It is recommended that the selection of innovative projects is carried out not only on the criterion of innovativeness, but also on economic value. This is because the resources allocated by the Executive committees from the budget for the purpose of innovative lending is limited, so to compensate for the interest on the loan is only for those projects that are most relevant to the region's economy. Therefore, not only banks have to make a decision on issuance of credit, but also the regional Executive committees.

Also it is advisable to take into account such conditions as:

- presence of current (settlement) Bank account in the Bank and cash it in the last 6 months before applying to the Bank for a loan;
- absence of overdue payments owed to that Bank;
- the presence of systematic monetary income on current (settlement) Bank account opened in the Bank;
- no filing of non-payment lasts more than 15 days.

If the enterprise and innovation project meet all the requirements, then banks could provide their capital for lending to innovative projects at a reduced rate, for example, 5% instead of 15.5%, as is happening now. Executive committees, in turn, did not place the funds on deposits and banks would compensate for the difference in percent (10.5 percent).

Thus, for improvement of the mechanisms of Bank lending of innovation activity it is possible to offer:

- 1) to create a legislative base which would regulate the full extent of the lending of innovative activity;
- 2) to mitigate the requirements for businesses in need of loans;
- 3) to conduct the selection of innovative projects, the implementation of which will be given credit, not only from the point of view of innovation, but also economic values;
- 4) banks should provide credit to enterprises engaged in innovative activity of private capital at a reduced rate, and Executive committees of banks should compensate for the difference in percentage.

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