

## COORDINATION OF BANKING SECTOR WITH ENTREPRENEURIAL ENTITIES

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**Abstract.** The article deals with the results of the research of the bank lending to entrepreneurial entities system in the Volga federal districts of Russian Federation.

The problem of bank loan availability to small and medium-sized enterprises is one of the most important factors constraining the development of the entrepreneurial activity in Russia.

Purpose: to compare and present the classification of the regions of the Volga Federal District on the level of loan system development.

Methods: the taxonomic method is used to compare the regions of the Volga Federal District.

The application of the taxonomic method provides an opportunity to increase the effectiveness of the management and to define the competitive advantages and investment attractiveness of the regions relating to the small and medium-sized enterprises development in the Volga Federal District.

Results: the conducted analysis allowed to reveal the best experience of the regional loan system development and create a number of recommendations for its improvement. According to the integrated assessment of the level of the regional loan system development the rating results are presented.

**Keywords:** bank lending, business activities, small and medium-sized businesses.

In the present conditions, the issues of intensification of the bank lending to entrepreneurial entities with the aim of further improvement of banking services of the real sector of the economy, gain particular topicality. Among the variety of factors, restricting growth of entrepreneurial activity in Russia, the problem of accessibility of banking lending to small and medium-sized businesses still remains one of the most important. Coordination of bank with entrepreneurial structures is rather contradictory, mutual interests are sometimes neglected, objectives of commercial banks are not always focused only on consolidation of coordination with entrepreneurial entities.

Nowadays there is a number of research works, dedicated to the issue of growth of the bank lending to entrepreneurial entities system. It is very important to solve the problem of lending level of the economy sector, under analysis, in regions, according to comparative evaluation. The Russian regions differ significantly in development indices of lending to entrepreneurial entities system [1, 3].

With the aim of study of entrepreneurial entities' lending system, there was conducted a comparison of the given regions on the most significant indices of the lending system in totality, based on methodical approach to comparative evaluation of the level of the lending to small and medium-sized businesses system, clearly set out by

V.Y.Dalbaeva [2].

During the research, taxonomic method (or method of cluster analysis) was used, which denotes a generalized method of distances. It allows to account absolute values of the indices and eliminate their variations. On the basis of the results obtained, a procedure of rating ranking of the Volga federal district was held.

The conduct of comparative evaluation of the level of the lending to entrepreneurial entities' system in the context of the Volga federal district, is stipulated by the facts that, on the one hand, small and medium-sized business' growth is uneven, on the other hand, banking system's development in regions is very irregular, as well. In connection with this, in particular regions the lending to entrepreneurial entities system can be found on a favorable level. In other regions, on the contrary, the lending system of this economy sector may be located on the lowest level, which requires finding the ways of improvement of the lending or credit relations by the process participants.

The analysis held, made possible to identify the best practice of the regional system of the lending to entrepreneurial entities' growth, and generate proposals on enhancement of the system in operation for the lagging regions.

As V.Y.Dalbaeva notes, such type of research has never been conducted before. In connection with that, lack of data on the growth level of the lending to entrepreneurial entities system in Russian regions, appreciably limits the potential of both federal authorities, controlling entrepreneurial entities' growth, and local authorities, responsible for making strategic decisions and implementing measures on development of small and medium-sized businesses. In addition, the authorities of banking organizations are also restricted in their ability to assess systematically the business growth prospects in different regions. [2].

In estimating the level of lending to entrepreneurial entities' development in the Volga federal district, there were used publicly available informational resources, (the Central Bank of Russian Federation, the Statistics State Committee of Russian Federation, and other official bodies' web sites) making possible to conduct the indices analysis both on a certain date, and in dynamics [4, 5].

The Russian regions, even belonging to one federal district, differ from each other in particular parameters (for example, in level of economic growth, territorial attribute, population and others), that is why, for adequate comparison of growth levels of banking lending to entrepreneurial entities system, relative ratios were used:

1. Turnover (earnings) repayment capacity of entrepreneurial entities in a region.

The quantity characterizes the lending system and reflects the so-called "credit resources saturation" with entrepreneurship in a region. The higher is the index, the more saturated with credits is the sector of small and medium-sized businesses, consequently in the given region, the credit resources are more available for entrepreneurs.

2. Relative weight of arrears payment of total credit indebtedness, granted by banks to entrepreneurial entities in a region.

It is reflection of qualitative coordination of banks with entrepreneurs. The lower is the level of credit indebtedness, the higher is the level of indebtedness between banks and loan debtors, and thus the safer is credit granting system in a region.

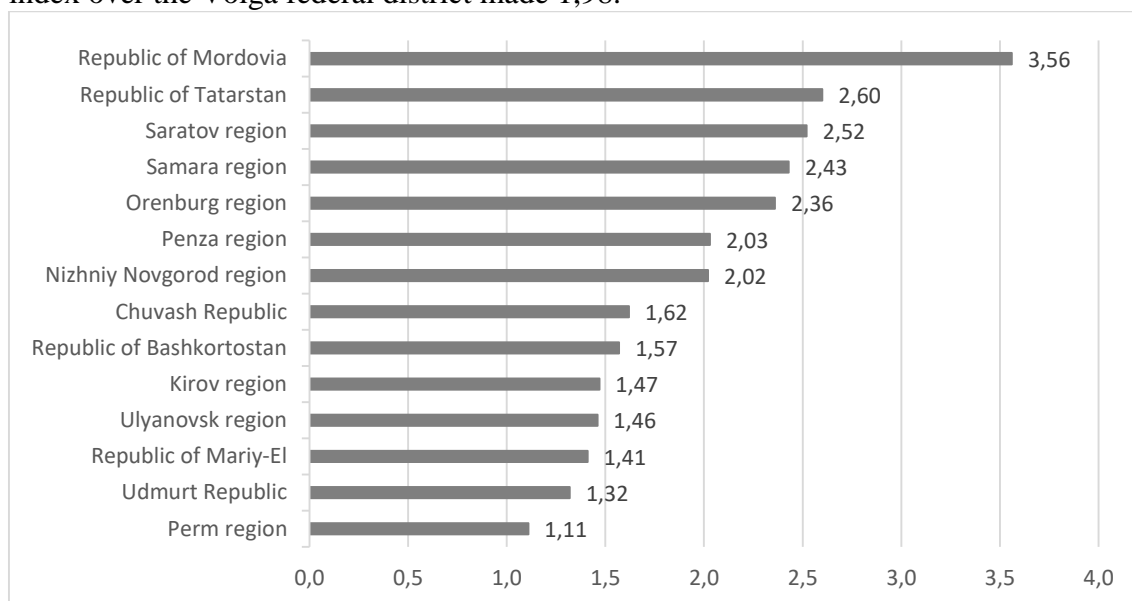
3. Profitability of sales (of turnover, earnings) by entrepreneurial entities in a region.

Characterizes efficiency of production and commercial activities and reflects the amount of profits per one ruble of earnings (turnover) by small and medium-sized businesses.

The higher is this index, the more profitable is the activity of enterprises in a region, and thus the more solvent are the latter, expressed in banking terms.

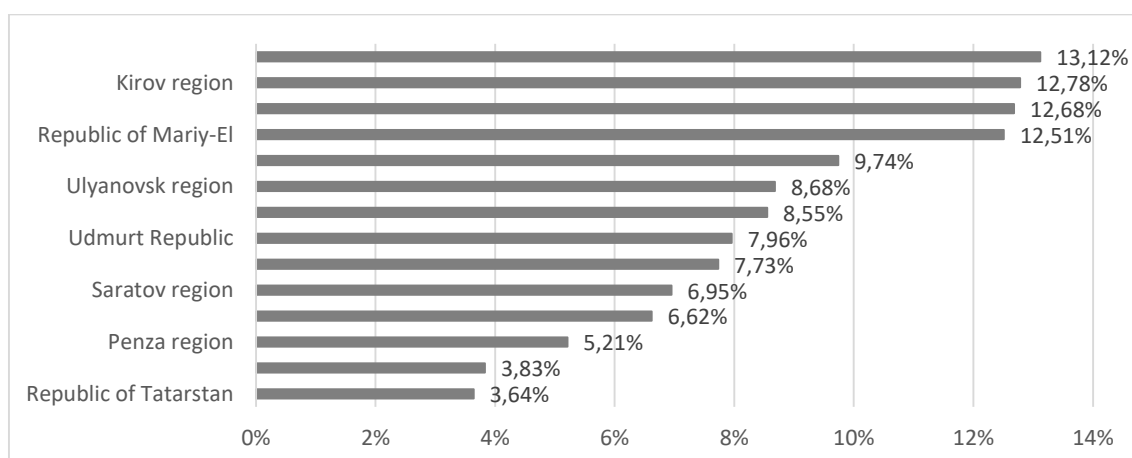
On basis of indices of turnover repayment capacity, relative weight of arrears payment and sales profitability, calculations were made for every region of the Volga federal district, the results being presented below in patterns 1-3.

According to calculations, under the exponent of turnover repayment capacity of entrepreneurial entities in a region, of largest value are the Republic of Mordovia with 3,55, the Republic of Tatarstan with 2,59 and Saratov region with 2,52, in whole, average index over the Volga federal district made 1,98.



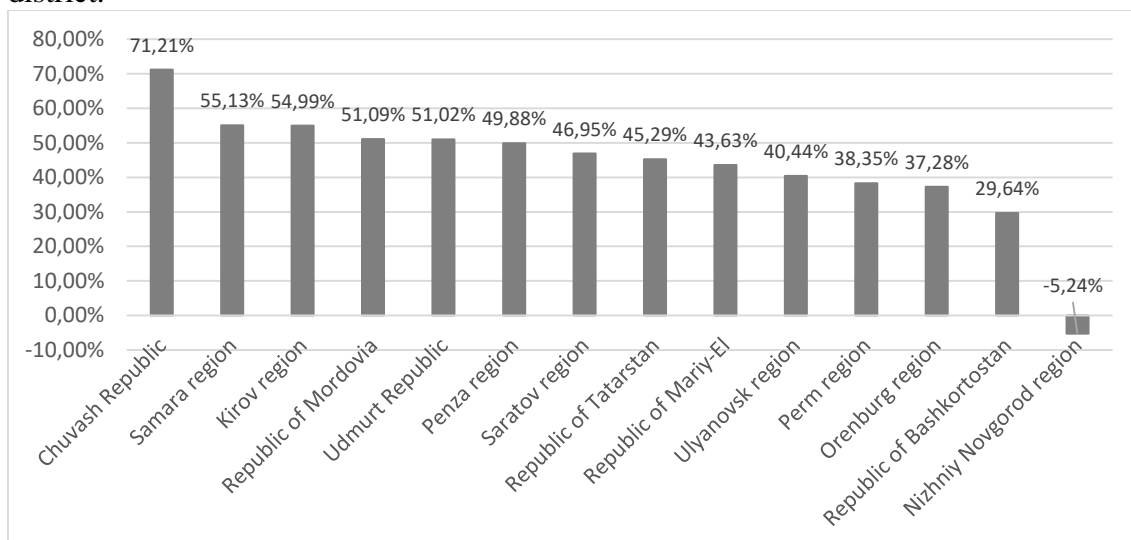
**Pat.1. The entrepreneurial entities' turnover repayment capacity in the Volga federal district, coefficient**

According to index of “relative weight of arrears payment on credit indebtedness in sum total, granted by banks to entrepreneurial entities in a region”, of largest value is Orenburg region with 13,12%, the Volga federal district in its average value amounts to 7,82 and the Republic of Tatarstan made 3,64%, which attests to effective policy of the regional banks, pursued in the field of crediting entrepreneurial entities.



**Pat. 2. Relative weight of arrears payment in sum total of indebtedness of credits, granted by banks to entrepreneurial entities in a region, in percentage**

According to index of “sales profitability by entrepreneurial entities in a region”, the best value has Chuvash Republic with its 71,21%. The index for the Republic of Tatarstan is 45,29%, which is higher than average exponent over the Volga federal district.



**Pat. 3. Sales profitability by entrepreneurial entities in the Volga federal district, in percentage**

On basis of taxonomic approach, with the help of the results obtained, a complex index is calculated, which characterizes the growth level of lending system in the Volga federal district (Appendix 3). The total estimation is in pattern 4.

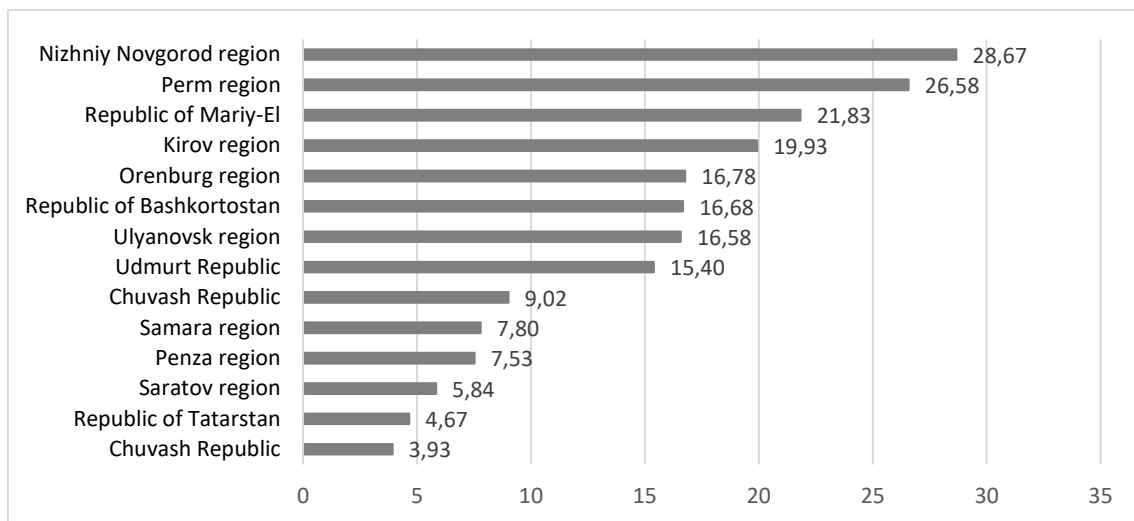
**Table 1**

**Estimation of complex index of the development level of the system of lending to entrepreneurial entities in the Volga federal district**

Region	Turnover repayment capacity SMBs,	$Z_{1j}$	Share of arrears payment in sum total of indebtedness of credits, granted by banks to SMBs	$Z_{2j}$	Sales profitability	$Z_{3j}$	Complex $R_j$
Orenburg region	0,62	3,41	1,45	9,17	-0,38	4,20	16,78
Kirov region	-0,76	10,44	1,35	8,53	0,69	0,96	19,93
Perm region	-1,31	14,31	1,31	8,33	-0,31	3,93	26,58
Republic of Mariy-El	-0,85	11,04	1,26	8,02	0,01	2,77	21,83
Samara region	0,72	3,05	0,37	3,80	0,70	0,94	7,80
Ulyanov region	-0,78	10,55	0,03	2,59	-0,19	3,45	16,58
Republic of Mordovia	2,47	0,00	-0,01	2,46	0,46	1,48	3,93
Udmurt Republic	-1,00	12,01	-0,20	1,90	0,45	1,49	15,40
Nizhny Novgorod region	0,08	5,69	-0,27	1,71	-2,94	21,27	28,67
Saratov region	0,87	2,58	-0,52	1,12	0,21	2,15	5,84

Republic of Bashkortostan	-0,61	9,48	-0,62	0,91	-0,84	6,29	16,68
Penza region	0,10	5,62	-1,07	0,25	0,38	1,66	7,53
Chuvash Republic	-0,53	9,01	-1,52	0,00	1,67	0,00	9,02
Republic of Tatarstan	0,98	2,22	-1,57	0,00	0,10	2,45	4,67
Standard	2,47		-1,57		1,67		

The range of indices of the development level of the system of lending to entrepreneurial entities in the Volga federal district is rather wide: from 3,93 (for the Republic of Mordovia) to 28,67 in Nizhny Novgorod region. The value for the Republic of Tatarstan made 4,67, which is next to a standard one, since, according to methodical approach, the lower is the value of complex index, the higher is the level of lending system in a region.



#### **Pat. 4. The results of complex estimation of the development level of the lending to entrepreneurial entities system in the Volga federal district, coefficient**

As a result of calculations, the complex of the regions of the Volga federal district is divided into three groups (the length of the row is divided into three equal intervals) depending on the development level of the lending to small and medium-sized businesses system in a region:

- to the first group belong the regions with the highest development level of the lending to small and medium-sized businesses system (interval from 3,93 to 7,80);
- to the second group belong the regions with mid development level of the lending to small and medium-sized businesses system (interval from 7,81 to 16,78);
- the third group comprises the regions with the lowest development level of the lending to small and medium-sized businesses system (interval of complex indices made from 16,79 to 28,67).

Table 2 shows the grouping of the regions of the Volga federal district, considering the growth level of the lending to entrepreneurial entities system.

**Table 2.****Grouping of the regions of the Volga federal district according to development of the lending to entrepreneurial entities system**

Development level of the lending system	Number of regions	Regions
High level	5	Republic of Mordovia Republic of Tatarstan Saratov region Penza region Samara region
Mid level	5	Chuvash Republic Udmurt Republic Ulyanovsk region Republic of Bashkortostan Orenburg region
Low level	4	Nizhniy Novgorod region Perm region Republic of Mariy-El Kirov region

Based on data from Table 1, deduction is drawn that growth level of the lending to entrepreneurial entities system in the Republic of Tatarstan is rather high. Despite well-developed environment of financial backing of small and medium-sized businesses in the Republic, the problems of intensification of banking sector coordination with them are highly topical.

The conducted rating of the regions of Volga federal district has its practical relevance in three aspects:

1. For the regional development of lending system, since it allows to:
  - distinguish leading regions and lagging regions;
  - distinguish the best practice of backing of entrepreneurial entities by commercial banks; .

2. For the managers of commercial banks, since the rating results can be applied to developing of strategic directions related to banking business growth in other regions.

The results of the analysis and complex evaluation of development level of the lending to small and medium-sized businesses system in the regions of the Volga federal district should be used in the implementation of growth policy of commercial banks' branch networks of the Republic of Tatarstan, and expansion of their presence in other regions.

3. For development of point measures on encouraging growth level of the lending to small and medium-sized businesses system in the regions of the Volga federal district, on the part of the State. Rating results suggest that:

- detect the most efficient for industrial and financial clusters establishing regions, to support entrepreneurial entities;
- detect competitive advantages and investment attractiveness of the regions.

Therefore, the research conducted, performs usefulness of regions' rating, when assessing coordination of banking sector with entrepreneurial entities in the Volga federal district.

The use of the rating method, suggesting determination of growth level of regions, will help to enhance effectiveness of management of entrepreneurial entities' development through the introduction of strategic decisions for advancement of

commercial banks' branch networks and determination of point measures for fostering growth of the lending to small and medium-sized businesses system in the regions.

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