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Russia Creates $1.4Bln Loan Guarantee Scheme for Small Business

By The Moscow Times

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Small and mid-sized businesses' need for investment loans stands at between 490 and 900 billion rubles a year, the government said.

In a drive to boost lending to small and mid-sized businesses in an economic slump, the government is creating a publicly traded loan guarantee system armed with 50 billion rubles ($1.4 billion) in starting capital.

Founded at a government meeting led by Prime Minister Dmitry Medvedev on Monday, the Agency of Loan Guarantees is intended to improve lending conditions for small and mid-sized businesses, lower the credit risks for their investment projects in the non-retail sector, improve regional guarantors' ability to guarantee their loans and increase the total volume of long-term lending to these businesses, according to a statement published Tuesday on the Kremlin's website.

The new agency aims to guarantee more than 7,000 loans, worth a total of between 825 and 880 billion rubles ($23.2 billion to $24.7 billion), over the next five years.

The agency's 50-billion ruble capital is to be formed by the release of 5 million shares valued at 10,000 rubles each.

Viewed as high-risk borrowers, small and mid-sized businesses have struggled to access long-term loans — only 7 to 10 percent of loans issued to these businesses are for periods beyond 3 years, the statement said. If the current trend continues, the growth rate in lending to small and mid-sized businesses will not exceed 10 to 12 percent in 2014, the government warned.

Lending growth slowed to 15 percent in 2013 from 29 percent in 2012, according to the Central Bank, mirroring a rapid slowdown in the wider economy. Russian GDP grew by 1.3 percent last year, and the IMF last week slashed this year's growth forecast for Russia to 0.2 percent.

Meanwhile, small and mid-sized businesses' need for investment loans stands at between 490 billion and 900 billion rubles a year, the government said.

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