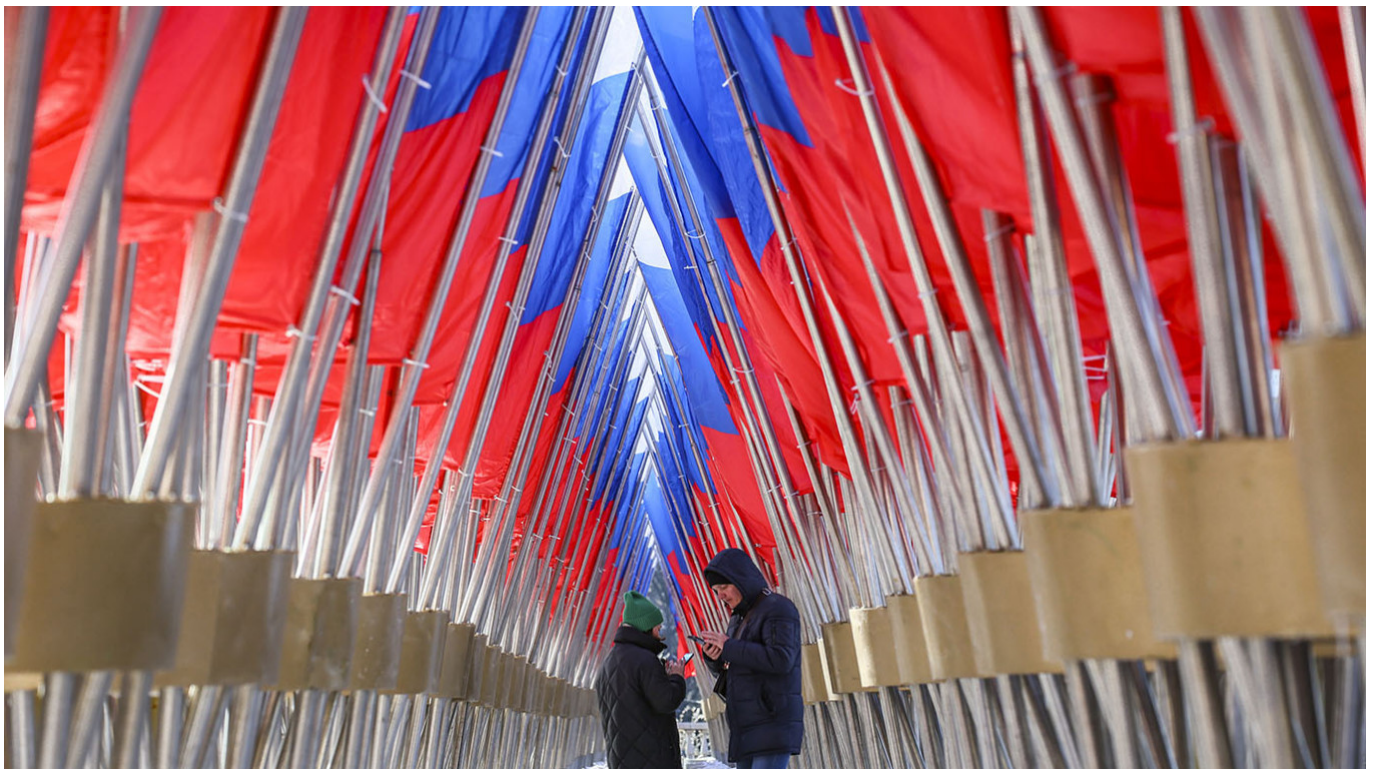


Russia Cuts State Support for Small Businesses Amid Budget Strain

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Yuri Kochetkov / EPA / TASS

State support for Russia's small and medium-sized businesses (SMEs) fell sharply in 2025, according to [calculations](#) by the Higher School of Economics' (HSE) Development Center, as Moscow reins in spending amid mounting budget pressures.

Small firms account for roughly a fifth of Russia's economy and employment and are seen as more vulnerable to high borrowing costs and weakening demand.

Reduced support could deepen strains in a sector already grappling with slower growth and tax increases aimed at financing a budget stretched by military spending.

The number of SMEs and self-employed people receiving any form of state support dropped 20% year-on-year to 436,700.

Financial support was cut even more drastically, with total assistance falling 33% to 354 billion rubles (\$4.57 billion) and the average amount per recipient declining to 3 million

rubles (\$38,700) from 4 million rubles (\$51,600).

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The smallest firms were hit hardest, with the number of micro-enterprises receiving support down nearly 22%. Overall coverage of the sector by support measures fell to 2.2% from 3.3%.

The Central Bank has warned that debt-servicing problems are most acute among SMEs. The sector's loan book [stood at](#) 14.75 trillion rubles (\$190.3 billion) at the end of the year, with 588 billion rubles (\$7.59 billion) overdue.

Although the share of bad loans declined slightly, the regulator attributed that to a revision of the SME register rather than improved credit quality.

Business activity remained subdued for most of the year.

The RSBI small business index [stayed](#) marginally in positive territory largely due to expectations, while assessments of current conditions including sales have been negative since mid-2024.

Further pressure is likely this year after the government [raised VAT](#) to 22% from 20% and lowered the threshold for mandatory VAT payments as part of efforts to plug a budget deficit that reached 5.7 trillion rubles (\$73.5 billion) last year.

Economists say the combination of weaker demand, tighter financing and shrinking state backing could force some of the smallest firms out of the market.

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