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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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