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## **FINANCIAL RESOURCES OF SMALL BUSINESSES: INTERNAL AND EXTERNAL FACTORS INFLUENCING THE SOURCES OF THEIR FORMATION**

**Abstract.** The development of small business is of great importance for the stable development of the economy of any country. Economically developed small business is the basis of the economy of a developed state, so many research papers are devoted to the study of small business problems.

Small businesses, because of their size, are more flexible in responding to all changes in the economy and have a greater potential for development. Recently, according to statistics, there has been a decrease in investment activity in small businesses. In other words, small business has become less invested in fixed assets. The observed crisis phenomena in the economy exacerbate the problem of investment financing and confirm the relevance of research on this topic.

According to the heads of small businesses, the main reason for weak investment is the lack of financial resources. There is a wide variety of sources of financial resources. Sources of financial resources of small businesses have their own characteristics. However, small businesses are limited in their choice of sources of financial resources, because not all existing sources of financial resources are available and can be actually used by small businesses. There are a lot of number of factors that determine the final version of the structure of sources of financial resources of a small business.

The article highlights the main external and internal factors that determine the structure of the sources of financial resources of small business. Internal factors characterize specificity of the enterprise (the legal form of the business, the sectoral specifics of small business, the stage of the life cycle of a small business and the economic characteristics of the businesses), external – the specifics of the external economic environment and industry, condition of the labor market and unemployment rate, financial and credit policy, investment sphere.

The author of the article comes to the conclusion that the stage of the life cycle is one of the most important factors that determine the structure of sources of financial resources of small enterprises, since at different stages of the life cycle, the structure of financial sources of an enterprise differs. Among external factors, the author puts the economic conditions in which a small business operates in the first place. In a stable economic situation, a small business will have access to a wide range of sources of financial resources. In an economic downturn, the availability of debt sources is sharply reduced, due to high risks of non-return of funds, in addition, there is a low investment activity of business. The article describes the influence of each factor.

**Key words:** Sources of financial resources, small business, the structure of financial resources.

**The relevance of the topic.** The level of development of small and medium-sized businesses is of great importance for the economy of any state. According to various sources, its share in the GDP of developed countries in Europe, Asia, America ranges from 40% to 60% and is the basis of their economy [8,9].

According to the Government of the Russian Federation, small and medium-sized enterprises in Russia produce 20% of the country's GDP [2]. In 2019 in Russia according to the Unified register of small and medium-sized businesses, small and medium-sized enterprises include 5.8 million economic entities, 95.9% of them are microenterprises [14]. Developed small business not only makes a significant contribution to GDP, but also performs a special social function – providing employment, the formation of

the middle class, satisfaction the daily needs of society in goods and services. As many researchers note, «according to the experience of developed countries, the development of entrepreneurship generates a self-sustaining process of development and expansion of the real sector of the economy and services to ensure growth of the population employment, promotes the growth of its business activity and solution of social problems of the population» [5]. According to Rosstat, small and medium-sized businesses employ about 25% of the total employed population (18 million jobs) [2].

Small business is more flexible in responding to all changes. According to researchers, small firms have a high turnover rate [4, p.371], they spend about 4 times less time than large enterprises to develop and bring most innovations to the industrial design stage [3]. All this indicates the presence of high potential and the need for small business development.

**Materials and methods of research.** Sources of financial resources of small business are analyzed using methods of observation, measurement, abstract-logical and comparative analysis, generalization and systematization of statistical data.

The research was conducted using the following materials: legislation [1-2]; articles [3-10], dissertation on competition of a scientific degree of candidate of Sciences [11,13]; monograph "Problem finansirovaniya malyh predpriyatij" [12]; Oficial'nyj resurs: Edinyj reestr sub"ektov malogo i srednego predprinimatel'stva [14].

**Research results.** The author researched the multifaceted aspects of the organization of financial resources in business entities and systematized the factors that influence their formation.

As noted by the heads of small enterprises, the lack of financial resources is the main reason for weak investment in fixed assets. The crisis phenomena of 2014-2016 have once again aggravated this problem. Researchers allocate up to ten different sources of financial resources of the enterprise. But, unfortunately, not all conventional sources of financial resources can be accessed and used by small businesses.

A number of internal and external factors influence the structure of the sources of financial resources that make up the finances of small enterprises in the future, and the peculiarities of its formation [7].

The main factors determining the development of small business are: the state of the labor market and the unemployment rate; financial and credit policy; transport and engineering infrastructure; investment sphere, foreign economic relations [6, p.82]. The purpose of this article is to research the factors affecting the structure of the sources of financial resources of small business.

The main internal factors include:

- organizational and legal form of business entity,
- sectoral specificity of activity of small business,
- stage in the life cycle of a small business,
- structure and specifics of formation of fixed assets, the stability of production and sales, etc.

The legal form of the enterprise is characterized by the size of the authorized capital, the possibility of using the funds of the founders and the method of distribution of profits. For example, small businesses established as a limited liability company often have the authorized capital formed in the minimum amount established by the Federal Law «On limited liability companies» [1] or don't have it as an individual entrepreneur.

Sectoral specificity of activity of small business includes many aspects, but, in our opinion, one of the keys is to determine the final product (service), which is the result of small business. Depending on this, the company requires different material and technical equipment and financial support and, accordingly, a different set of fixed assets. If a small enterprise is engaged in production, a very important aspect is the duration of the production cycle, as well as the influence of seasonal factors on the organization of its activities. The longer the production cycle, the smaller the capital turnover, which in turn can affect the borrowing.

Exploring the financial resources of small business, it is worth noting the importance of the factor «stage in the life cycle of a small business». The newly registered company doesn't have a fund of depreciation, profit, access to leasing and credit resources. Thus, as practice shows, starting a small business can only rely on their own funds, or on the means of state support. However, both sources are not unlimited, and the means of state support are not a guaranteed source of financial resources of this enterprise. The initial formation of financial resources occurs at the time of establishment of the enterprise, when the authorized capital is formed. The sources of the authorized fund, depending on the

organizational and legal forms of management are: share capital (own savings, funds of family members), mutual contributions, long-term credit, state support. At the stage of formation and development will be relevant credit funds. Thus, at different stages of the life cycle, the structure of the financial sources of the enterprise will differ.

The structure of fixed assets determines the costs of its formation, maintenance and modernization. The more diverse and complex the composition of fixed assets, the more financial resources required for their acquisition and maintenance. Thus, business in the service sector involves small investments in equipment and training. Depreciation charges for such small enterprises are also absent or minimal. They don't have sufficient fixed assets that could be amortized to cover new innovation costs. Therefore, depreciation is applicable only to those small businesses that have a large range of fixed assets. These, for example, will include industrial and agricultural enterprises.

The stability of production and sales as a factor affecting the structure of sources of financial resources occurs in long-standing small enterprises that are already in the stage of growth or even maturity. The stability of production can depend on two main aspects: seasonality of demand for products and crisis phenomena in the enterprise. Seasonality of demand for products or services affect the stability of financial flows within a small enterprise, and in particular the stability of profit, which will be important when planning the use of own funds (profits) and borrowing. Such an enterprise will need to raise funds for a short period of time and with the possibility of a single cancellation. Crisis phenomena at the enterprise and stability of volume of production and realization of production – two interconnected factors as one phenomenon generates another. In this phenomenon, it is desirable for the enterprise to optimize its internal reserves as much as possible and look for options for raising funds with special return conditions.

The main external factors affecting the structure of the sources of financial resources of small business include:

- state economy,
- state policy on entrepreneurship development,
- investment activity,
- conjuncture of commodity and financial markets,
- industry-specific business, etc.

State economy and the economic environment in which a small business operates, in our opinion, is the most important external factor in the development of the enterprise as a whole and the formation of its structure of financial resources in particular. The more developed the economy and the more favorable the economic environment, the more developed the entrepreneurship. Stable economic situation is the basis of business sustainability. In times of crisis, in turn, the shortcomings of the existing production are exacerbated. That contribute to the liquidation of inefficient enterprises, reduce the cost of renting production facilities and equipment. This contributes to the modernization of existing enterprises and stimulates the emergence of new small enterprises. In a stable economic situation, a small enterprise will have access to various sources of financial resources. During the crisis, the availability of debt sources is sharply reduced, due to the high risks of non-return of funds, in addition, there is a low investment activity of enterprises.

The second important factor influencing the formation of financial resources of small businesses, in our opinion, the state policy on entrepreneurship development. This factor is closely interrelated with the first, because the development of the state economy, the more attention is paid to the development of entrepreneurship as one of the foundations of a modern competitive economy. In the implementation of government policy on entrepreneurship development, businesses are easier to operate in the economic environment, using the established preferences, tax incentives, direct government support measures. Also, subjects of small and average business potentially will have the ability to use means of state financial support as a source of financial resources. Measures of state support can be aimed at the development of entrepreneurship in general or at the development of a specific industry. Examples of successful government support measures of different countries in tourism industry researched Tleuberdinova A.T., Shayekina Zh.M., Salauatova D.M., Pratt S. [9].

Investment activity is important not for all businesses, but mainly for those who are in need of raising funds to implement their business project or investment in the activities of another business entity. The more investment activity, the greater the opportunity to attract and allocate financial resources.

The conjuncture of commodity and financial markets determines the stability of the demand for manufactured products, as well as the cost of capital, and involve small business from external sources. By increasing the level of loan interest increase and the requirements of investors to the rate of return on invested capital.

The industry-specific business determines the different duration of the operating cycle. After a long period of the operating cycle, to use borrowed funds small business is not always profitable and some borrowed sources and is not possible. Long production cycle makes use of the borrowed funds is expensive, the payback period of the investment increases in proportion to increase and the risk of bankruptcy. There are sectors with a high risk of business. For example, profit from entrepreneurial activities in the field of agriculture is quite difficult to predict, because there are many objective factors affecting results of operations that don't depend on the efforts of the entrepreneur (weather conditions, epidemic diseases of animals and plants, etc.).

The research of the sources of financing small businesses is one of the hot topics of modern research. The research revealed that the formation and structure of financial resources of small businesses affect more than ten internal and external factors. Each factor has its own characteristics and different impact on the financial policy of a business entity. Of course, to talk about the prevailing influence of one factor on the financial resources of a small business it is wrong. A particular factor may have more than others affect the finances of small businesses, but for a more accurate understanding of the need to explore all possible aspects together.

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**ШАҒЫН КӘСІПОРЫНДАРДЫҢ ҚАРЖЫ РЕСУРСТАРЫ:  
ОЛАРДЫ ҚАЛЫПТАСТЫРУ КӨЗДЕРІНЕ ӘСЕР ЕТЕТІН ІШКІ  
ЖӘНЕ СЫРТҚЫ ФАКТОРЛАР**

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**ФИНАНСОВЫЕ РЕСУРСЫ МАЛЫХ ПРЕДПРИЯТИЙ: ВНУТРЕННИЕ И  
ВНЕШНИЕ ФАКТОРЫ, ВЛИЯЮЩИЕ НА ИСТОЧНИКИ ИХ ФОРМИРОВАНИЯ**

**Аннотация.** Развитие малых предприятий имеет большое значение для стабильного развития экономики любой страны. Экономически развитый малый бизнес является основой экономики развитого государства, поэтому изучению проблем малого бизнеса посвящено много исследовательских работ.

Малый бизнес в силу масштабов своей деятельности более гибко реагирует на все изменения, происходящие в экономике, и обладает большим потенциалом для развития. В последнее время, согласно статистическим данным, наблюдается снижение инвестиционной активности у малых предприятий. Другими словами, малые предприятия стали меньше инвестировать в основной капитал. Наблюдаемые кризисные явления в экономике обостряют проблему финансирования инвестиций и подтверждают актуальность исследований данной темы.

По мнению руководителей малых предприятий, главной сдерживающей причиной слабого инвестирования в основной капитал является недостаток финансовых ресурсов. Существует большое разнообразие источников финансовых ресурсов. Каждый источник финансовых ресурсов малых предприятий имеет свои особенности. Но при этом малые предприятия ограничены при выборе источников финансовых ресурсов, поскольку не все существующие источники финансовых ресурсов доступны и могут быть реально использованы субъектами малого бизнеса. Выделяется достаточно большое количество факторов, определяющих в конечном варианте структуру источников финансовых ресурсов малого предприятия.

В статье выделяются основные внешние и внутренние факторы, определяющие структуру источников финансовых ресурсов субъектов малого предпринимательства. Внутренние факторы характеризуют особенности самого предприятия (организационно-правовую форму предприятия, отраслевая специфика деятельности малого предприятия, стадия жизненного цикла малого предприятия, экономические характеристики предприятия), внешние – специфику внешней экономической среды и отрасли производства, состояние рынка труда и уровня безработицы, финансово-кредитная политика, инвестиционная сфера.

Автор статьи приходит к выводу о том, что стадия жизненного цикла является одним из наиболее важных факторов, определяющих структуру источников финансовых ресурсов малых предприятий, поскольку на различных стадиях жизненного цикла структура финансовых источников предприятия различается. Среди внешних факторов на первое место автор относит экономические условия, в которых действует малое предприятие. В условиях стабильной экономической ситуации малому предприятию будет доступен широкий перечень источников финансовых ресурсов. При экономическом спаде доступность заемных источников резко сокращается, из-за высоких рисков невозврата средств, кроме того, наблюдается низкая инвестиционная активность предприятий. В статье дана характеристика влияния каждого фактора.

**Ключевые слова:** источники финансовых ресурсов, малые предприятия, структура финансовых ресурсов.

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