COMPARATIVE ASSESSMENT OF GLOBAL INVESTMENT PRACTICES IN SMALL BUSINESS DEVELOPMENT

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ABSTRACT

Today, in developed countries, state programs aimed at investing in small business and private entrepreneurship are characterized by their direct focus on the development of innovative activities through investment projects. This article examines international practices of investing in small business and private entrepreneurship.

One of the modern characteristics of the development of small business and private entrepreneurship is the implementation of targeted programs in developed countries aimed at innovative development through investment projects. Therefore, it is important to consider these programs and their outcomes. First of all, attention should be paid to the analysis of quantitative indicators of small business and private entrepreneurship development in countries with developed market economies.

Research shows that the share of small business and private entrepreneurship in GDP in developed countries ranges from 20 to 40 percent. In particular, this indicator is 19 percent in the United Kingdom, 30.2 percent in Germany, 20 percent in Finland, and 25 percent in the Netherlands.[1] In addition, the share of small business and private entrepreneurship in total industrial production is 23 percent in European Union countries, 32 percent in Germany, 45 percent in Norway, and 49 percent in France.[2]

In some rapidly developing economies such as China and India, which belong to the group of emerging and developing market economies, the share of small business and private entrepreneurship in gross industrial production exceeded 35 percent in the early 2000s.[3]

World experience in the development of small business and private entrepreneurship demonstrates that these economic entities actively participate in innovation processes and investment projects, with the majority of innovation-investment projects belonging to this sector. In the United States economy, representatives of small businesses produce 13 times more patents and innovative developments than large corporations.

Approximately 30 percent of investment projects in the field of new technologies and innovations in the global economy belong to corporations, which are considered the driving force of scientific and technological progress in the system of modern economic relations.[4] Today, the rapid expansion of innovation-investment processes, the increase in their scale, and the growing number and quality of innovative products produced by their participants are regarded as distinctive features of the modern economy.

According to analyses of developed countries' practices, a significant portion of investments attracted to small businesses is directed toward research and experimental design developments, thereby increasing the intensity of scientific research. Due to their relatively smaller scale, small businesses can reduce risk levels, quickly adapt to sharp socio-economic changes, and rapidly implement new technologies and research directions into practice.[5]

Analyses indicate that the innovation development models operating in countries require prioritizing innovative directions in investing in small business and private entrepreneurship. According to world practice, there are currently three models of innovative-investment development in this field.

The first model is characteristic of countries leading the world in science and innovation and is based on conducting fundamental and applied research. This innovation-investment development model is typical for the United States, the United Kingdom, and France. These countries achieve the development of an innovative economy by encouraging investment projects related to fundamental and applied research.

The second model focuses on developing an innovative economy by creating favorable investment conditions for innovation development. This model is characteristic of countries such as Germany, Sweden, and Switzerland.

The third model represents an innovation-based economy specializing in scientific and technological development within the global economy and is characteristic of Japan and South Korea.[6]

The innovation-investment development models operating in different countries determine the directions of activity and specialization in the field of innovative business.

In the global economy, there is an interconnected micro- and macro-level mechanism for implementing innovation-oriented investment activity. The micro-mechanism of innovation processes is manifested through the instruments used by entrepreneurial entities to adopt innovations and finance them. The scale of implementing innovations depends on the investment potential of small business entities, including their capacity for innovation development and willingness to adopt new technologies. Great attention is also paid to ensuring that investment projects contribute to the financial stability of entrepreneurial entities.

Under conditions of globalization, modern methods of investing in small business and private entrepreneurship are being developed and introduced into practice. One such modern investment relationship widely used in developed countries is crowdfunding. Through specially designed platforms, financial resources from several investors are used to finance entrepreneurial activities or innovative ideas. In this type of investment relationship, both individuals and legal entities have the right to participate. Investors receive financial or non-financial rewards depending on the size of their investments and their share in the company's charter capital. Such rewards may include gifts, invitations to restaurant openings, or meetings with famous people.

According to analyses, the innovative potential of small business and private entrepreneurship is reflected in its ability to quickly adapt to socio-economic changes by effectively using new knowledge and innovative developments in its field of activity. In this process, systematic changes in entrepreneurial entities are gradually introduced into large enterprises and later into the broader national economy.

Based on the above information, it can be stated that during the COVID-19 pandemic, which began in 2020, support for business became an integral part of anti-crisis programs in developed countries. For example, in the United States, banks received refinancing under portfolio guarantees within special corporate lending support programs and provided student loans, auto loans, credit card loans, and loans for small businesses. Taxpayers affected by the coronavirus received payments of 1,200 USD for adults and 500 USD for children. These funds were allocated to cover building rent, equipment leasing, and loan repayments. In addition, the government paid company employees 60 percent of their net wages during periods of unemployment, while employees with young children received 67 percent of their wages.

In the United Kingdom, under the state-guaranteed lending program for business entities, three-month mortgage holidays were introduced. Compensation mechanisms were also established for businesses that reduced production activities during quarantine, covering both the principal and interest payments on loans. The maximum loan amount reached 5 million pounds sterling with repayment periods of up to six years. The total volume of the business support program amounted to 15 percent of the country's GDP.[7]

Analyses show that during the coronavirus pandemic, government participation in financing business activities increased worldwide. This demonstrates the significant role of small business and private entrepreneurship in national economies. In our opinion, in the coming years it is advisable to increase the scale of investment programs for small business and private entrepreneurship in our country, improve their efficiency indicators, and especially prioritize the formation of investments from domestic sources..

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