What Should SME Owner Expect in 2011?

Survey by Citibank and RMC demonstrates that repercussions of the crisis have not yet been overcome by small and medium business.

Citibank and Russian Microfinance Center («RMC») have announced today the results of their joint survey that was conducted among SME owners and independent experts at the end of 2010.

In 2010, analysts observed an increase in revenues across the SME sector that came as a result of, among other factors, wider access to external financing. The survey shows that SME business demonstrated lower profitability. It proves that competition in the segment is gaining momentum.

According to the survey, in 2010 personal qualities of the SME owner tied with appropriate connections, as well as the general condition of the business environment and access to financing played a key role for the success of the business. At the same time, direct support from the state were less important as opposed to 2009, when governmental measures were crucial for the segment.

Accessibility to financing for existing SME went up significantly in 2010, particularly as far as current assets were concerned. However, the owners of start up businesses had most difficulty in obtaining loans from financial institutions, and microfinancing, leasing and governmental programs came to the forefront.

Certain industries demonstrated growth in successful businesses — above all, in services and commerce. Increasing competition that was highlighted by 60% of experts resulted in a better quality of goods and services and growing demand.

According to the majority of experts, SME will continue to develop rapidly in 2011. However, in light of the changes in the tax legislation starting 1 January 2011, the risk exists that «grey» salaries are likely to increase and the investments will go down. It can lead to an overall aggravation of the situation with SME.

«SME took on about 11% of GDP in 2009, and its contribution to Russian economy in 2010 showed a marginal decrease, says Viktor Rozhkov, Head of GSG Commercial Banking at ZAO Citibank. As long as the recovery of this segment is keeping momentum, the scope of financial capabilities of SME owners will widen. It will enable them to boost investments into their businesses.»

Mikhail Mamuta, President of the Russian Microfinance Center says: «SME is one of the drivers of postcrisis economic and social growth. Moreover, SME can make a contribution into innovative development of economy. Therefore, SME taxation issues should be considered very carefully. The practice proves that the „source of vitality” of small enterprises can dry down much quicker than in the case with large businesses.»

Citi is the leading global financial services company that provides services to circa 200 million client accounts and does business in more than 140 countries. Through its two operating divisions: Citicorp and Citi Holdings, Citi provides consumers, corporations, governments and institutional clients with a broad range of financial products and services, including consumer banking and lending, corporate and investment banking, securities brokerage, and wealth management. For more information, visit www.citigroup.com or www.citi.com

ZAO Citibank was one of the first banks with foreign capital that entered Russian market in 1993. Citibank has since grown to become one of the largest banks in the country. Citibank offers its corporate and individual clients a broad range of products and services. At present, the Bank has over 3,000 employees; its distribution network includes over 350 ATMs, retail branches across major cities in Russia, Kazakhstan, and Ukraine.

Russian Microfinance Center (RMC) was founded in July 2002 as a response to the need of the sector in an organization to represent interests of the whole microfinance. RMC serves as the resource center for the microfinance sector and a nation-wide forum for interaction with the government, community and investors, facilitates formation of a favourable legal environment, renders professional services of training and consulting for microfinance organizations,
as well as contributes to the establishment of national standards of leading a microfinance activity.