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Factors Influencing The Process of Lending to Small and Medium-Sized Enterprises in The Tourism Sector

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Abstract: Small and medium sized enterprises are key to economic development, job creation and the growth of the national tax base. The tourism sector is more sensitive to finance issues needing to obtain outside funding for the establishment, expansion and modernization of their enterprises. This is why bank lending is an important tool to stimulate entrepreneurship and promote tourism enterprises effectiveness and sustainability. While credit support matters a lot, existing lending systems often overlook features and risks of tourism businesses. Doing so creates knowledge gap in regard to the complex set of factors that impact lending decision of banks to small and medium sized enterprises using tourism as their business industry sector. The research is conducted using the methods of scientific abstraction, logical analysis, deduction, comparative analysis, system analysis, generalization and synthesis, that is, directed to the study of the factors that affect bank lending to tourism enterprise. Also, documentary-normative analysis method is applied to evaluate existing mechanism of financial and credit support. The determinants which influence lending processes are grouped by the authors according to their common features: there are bank strategy and lending policy, demand for credit resources, macroeconomic conditions and crisis phenomena, and financial soundness of borrowers. The analysis further reveals that tourism businesses also contend with the added difficulties of seasonality, market, and other economic factors. The findings show that an efficient credit support approach has to take into account a well-balanced lending industry lending both fairly and prudently to tourist enterprises for the example of credit nurture to address sector particular demands. That is focus on mechanisms of lending improvement, expansion of special financial programs, closer cooperation between financial institutions and businessmen to make access to financial resource more sufficient. These enhancements will promote sustainable development of the tourism sector and trigger wide spread economic growth.

Keywords: Small and Medium-Sized Businesses, Entrepreneurship, Credit Support, Bank Lending, Tourism Industry, Financial Resources, Economic Development

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1. Introduction

At present, the development of entrepreneurial activity is one of the key factors contributing to the further economic growth of the state. By creating new jobs, it helps expand the country's tax base. Creating a competitive environment creates the desire of companies to improve the quality of products and services, which in turn leads to an improvement in the overall standard of living of the population. Credit support plays a significant role in this process, which provides access to the financial resources necessary to launch, expand and modernize the business. Effective lending enables entrepreneurs to innovate, increase productive activity, and strengthen financial sustainability.

At the same time, the formation of a competitive business environment encourages economic entities to constantly improve the quality of goods and services, which ultimately has a positive impact on the level and quality of life of the population.

Many researchers and economists have worked on the issues of credit support for small and medium-sized businesses, including: Zh.Pereder, J. Sinkey, J. K.Van Horn, A. Thompson, J. Strickland, M. Kostykova, N. Zayseva, Sh. Abdullayeva, B. Aliyev, J. Zaynalov, A. Karimova, I. Rakhmanov, A. Baymuratova, D. Tadjibayeva, J. Isakov, L. Zoyirova, N. Urmanova and others [1,2,3,4,5,6,7,8, 9, 10,11]

2. Materials and Method

This study utilizes a synthesis of theoretical and analytical approaches defined by the relevant literature on the specifics of the lending process of small and medium sized enterprises in the tourism sector, in order to identify the factors that influence it, then systematizing such factors. The study mainly uses qualitative research methods which enable an in-depth analysis of different financial and institutional conditions providing the credit accessibility of the entrepreneurial structures. Using the scientific abstraction the generalized economic hounds of credit support and entrepreneurship development and also financial mechanisms in tourism economy have been summarized. Such an approach allowed us to single out basic theoretical principles and economic relations that determine the functioning of bank crediting tourism enterprises.

The consideration of the above-mentioned has been reflected in logical analysis and deduction regarding the existing scientific approaches to the classification of lending factors as well as to investigate the applied scientific approaches to the lending factors classification and those relevant of tourism sector. It used research methods to study the views of researchers and economists on the factors determining the availability of credit for small and medium sized companies. Through comparative analysis, it was possible to assess the state of the art about the classifications of lending factors suggested by the literature on the subject so as to highlight their strengths and weaknesses in terms of the specific features of tourism enterprises.

The factors thus identified were integrated into a structured framework applying system analysis and synthesis approach and showing external macro, economic conditions and internal banking mechanics affecting credit decision. Moreover, documentary and normative analysis was used to examine tourist credit regulatory frameworks along with financial policies and support programs. Together these method approaches allowed an assessment of the whole lending process, and for the systematic appraisal of deeper economic and institutional drivers associated with the availability of credit for tourism enterprises.

3. Result and Discussion

Credit support for business entities in the field of tourism services is one of the key factors contributing to the development of small and medium-sized businesses. At the same time, it should be noted that the current financial and credit policy of the state does not sufficiently take into account the industry specifics of the tourism business and the associated business risks. This significantly complicates the adaptation of business entities to rapidly changing market conditions, which ultimately negatively affects financial stability, productivity and competitiveness.

In the course of our research, we considered the classification of factors affecting the lending process of small and medium-sized enterprises (see: Table 1.).

Table 1. Systematization of factors that determine lending to small and medium-sized enterprises in the tourism sector

Author	Features of classification of factors of the credit process	Disadvantages of the approach to classification
J. K. Van Horn [1]	Identification of 3 groups of credit factors: <ul style="list-style-type: none"> – legal; – tax; – financial environment. 	The disadvantage is that, the view of the credit process limited
A. A. Thompson, A. J. Strickland [2]	Identification of factors such as: <ul style="list-style-type: none"> – macroeconomic; – legislative and regulatory acts; – social values and lifestyle; – demographic; technological. 	In this case, based on the company's industry affiliation, attention is paid to factors that are related to economic characteristics.
M.Y.Kostykova [3]	Identifies factors that affect the bank's portfolio of loans for medium and small enterprises, such as: <ul style="list-style-type: none"> – the bank's strategy and policy; – crisis and falling living standards; – demand for loans. 	Influence factors can be supplemented. Thus, the features of lending are closely related to the features of obtaining loans, which are precisely domestic specifics and are not inherent in the banking systems of countries with developed economies

Next, we will consider the previously mentioned approaches in more detail.

In his research, James K. Van Horn and John M. Vakhovich identifies three groups of factors that affect credit support for small and medium-sized businesses. However, this view of the credit process seems rather limited, since the legal environment of these authors is considered only from the point of view of the organizational form of the enterprise and does not take into account the impact of various legislative initiatives on the functioning of small and medium-sized businesses [4].

A. A. Thompson and A. J. Strickland suggested identifying factors that influence the process of lending to small and medium-sized enterprises. At the same time, the authors focused on macroeconomic factors, that reflect key economic characteristics and take into account the industry affiliation of companies [5], [6].

In our opinion, the most complete classification of factors of bank lending to small and medium-sized enterprises, proposed by M.Y. Kostakova, which takes into account the specifics of the functioning of this business in domestic conditions. This classification is based on the bank's loan portfolio for small and medium-sized enterprises, although specific factors of influence are not fully identified [7], [8]. The author pays special attention to preserving the stability of both banks and clients receiving loans. It should be borne in mind that when choosing borrowers, banks usually prefer those clients who help to form an optimal loan portfolio that takes into account both profitability and risk level. In this regard, the key factors influencing the process of lending to small and medium-sized enterprises are:

1. Strategy and policy of the bank, which determine the formation of a portfolio of banking products;
2. Demand for loans. Lower demand forces banks to reduce their requirements for borrowers and raise interest rates, which increases the risk of the loan portfolio, while higher demand acts in the opposite direction [9];
3. Crisis situations and a decline in the standard of living of the population, which force enterprises to reduce the debt burden, reduce the profitability of business and can lead to a negative financial effect, increasing the risk of delinquency on loans. It is important to keep in mind that the value of the loan portfolio decreases if the borrower does not fulfill its obligations.

Classification of factors affecting the process of lending to small and medium-sized businesses is appropriate when considering the driving forces, that have a key impact on:

1. formation of the bank's loan portfolio, including the strategy and policy of the institution, crisis situations and the decline in the standard of living of the population, as well as the level of demand for loans;
2. features of obtaining loans that are determined by the Russian specifics and depend on the internal processes of banks when making decisions on granting loans and on specific lending conditions.

Since this classification is a kind of division of influencing factors, it should comply with the rules for complex and informative structuring of changes, occurring in the process of lending to small and medium-sized businesses [10]. This study is aimed at complementing and systematizing the selected group of factors, that influence the process of crediting small and medium-sized businesses in the tourism sector.

Credit support for small and medium-sized businesses in the field of tourism services is provided through various mechanisms and programs aimed at developing and supporting the tourism industry. These include:

Government programs: today, in order to further stimulate and support tourism, many states are developing special programs that include subsidizing interest rates on loans, providing grants for infrastructure development, and supporting the marketing of tourism services;

Bank loans: commercial banks offer their clients loans for small and medium-sized businesses in the field of tourism services. The terms of which vary depending on the financial condition of the business and its credit history of the borrower.

Microfinance: it is one of the sources of credit support, the task of which is to finance small enterprises in the tourism sector, in particular, such as small hotels, excursion companies, tour companies, with which you can start or expand an existing business [11];

Investment funds: the essence of investment funds is that, specializing in investments in the tourism industry, they provide capital for the implementation of new projects, in particular, such as the construction of hotels or the development of tourist routes.

Consulting services: the purpose of providing consulting services for travel companies is to help them develop business plans, marketing strategies and financial reports, which helps to increase the chances of receiving financial support [12];

Subsidies and grants: in some cases, public and private organizations may provide subsidies or grants for the development of tourism infrastructure, which also helps attract investment in this area.

Credit support of small and medium-sized businesses in the field of tourism services by commercial banks performs a number of interrelated functions [13]. In the macroeconomic aspect, bank lending provides for the accumulation of temporarily free funds and their redistribution in order to stimulate the country's economic development. From a microeconomic point of view, the provision of corporate loans forms the basis for the profitable activities of commercial banks, contributing to improving their financial stability and reliability. At the same time, lending performs an investment function, providing financing for the modernization of the material and technical base of tourist enterprises, the introduction of modern service technologies and the expansion of tourist infrastructure [14]. The socio-economic function is also important, which manifests itself in creating new jobs, increasing employment and reducing unemployment, especially in regions with tourist potential. In addition, bank lending performs a stimulating function, activating the entrepreneurial initiative and business activity of small and medium-sized businesses, as well as an adaptive function that allows enterprises in the tourism industry to maintain financial stability in conditions of seasonal demand and changing market conditions [15].

4. Conclusion

The conducted research allows us to conclude that credit support for small and medium-sized businesses is one of the most important tools for stimulating economic development and improving the efficiency of the business sector. The development of entrepreneurship contributes to the creation of new jobs, expanding the state's tax base,

strengthening the competitive environment and improving the quality of goods and services produced, which ultimately has a positive impact on the standard of living of the population.

In the course of the study, it was found that credit support is particularly important for enterprises operating in the field of tourism services. The tourism business is usually characterized by an increased dependence on seasonality, market conditions and external economic factors, which requires flexible and affordable financial and credit mechanisms. In this regard, an effective credit system is an important condition for ensuring the sustainable development of business entities in this area.

The analysis of scientific approaches to the classification of factors affecting the process of lending to small and medium-sized businesses has shown that the existing concepts mainly consider the legal, macroeconomic, institutional and financial conditions for the functioning of entrepreneurial activity. At the same time, the most comprehensive approach involves taking into account not only the external economic environment, but also internal factors related to the strategy and policy of banks, the level of demand for credit resources, as well as the state of the economy and the solvency of borrowers.

As a result of the analysis, it was revealed that effective lending to small and medium-sized businesses depends on a set of interrelated factors, including the specifics of banking policy, the level of development of the financial market, the macroeconomic situation and the specifics of the functioning of specific sectors of the economy. Of particular importance is the formation of a balanced loan portfolio of banks, which should take into account the ratio of profitability and the level of credit risk.

Thus, improving the system of credit support for small and medium-sized businesses in the field of tourism services should be aimed at expanding entrepreneurs' access to financial resources, developing specialized lending programs, reducing administrative barriers and improving the efficiency of interaction between financial institutions and businesses. The implementation of these measures will help strengthen the financial stability of tourism enterprises, boost investment activities and further develop the national economy as a whole.

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