



Government-Supported Credit Programmes for Entrepreneurs- Impact on Regions of Latvia

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Europe





Latvia

- ▶ one of the Baltic States
- ▶ lies in the Eastern part of European Union
- ▶ the area – 64,6 thousand km²
- ▶ 2,3 million inhabitants

Aim of the research

- ▶ To evaluate impact of the state aid lending programmes on the national economy of Latvia and business development

- ▶ Market economy requires development of enterprises, implementation of new projects, production of goods and services, introduction of innovations etc.
- ▶ One of the cornerstones of profitable business is sufficiency of financial resources
- ▶ The main source of financing entrepreneurial activities is loans offered by credit institutions

Commercial activity support measures of government include:

- ▶ loans
- ▶ guarantees by the Latvian Guarantee agency
- ▶ state guarantees
- ▶ support instruments, such as risk capital and technology transfer

Commercial activity support

Lending programmes involving state and the European Union support is a way for the state to stimulate development of national economy of Latvia; credit guarantees give opportunity for entrepreneurs to raise borrowed funds

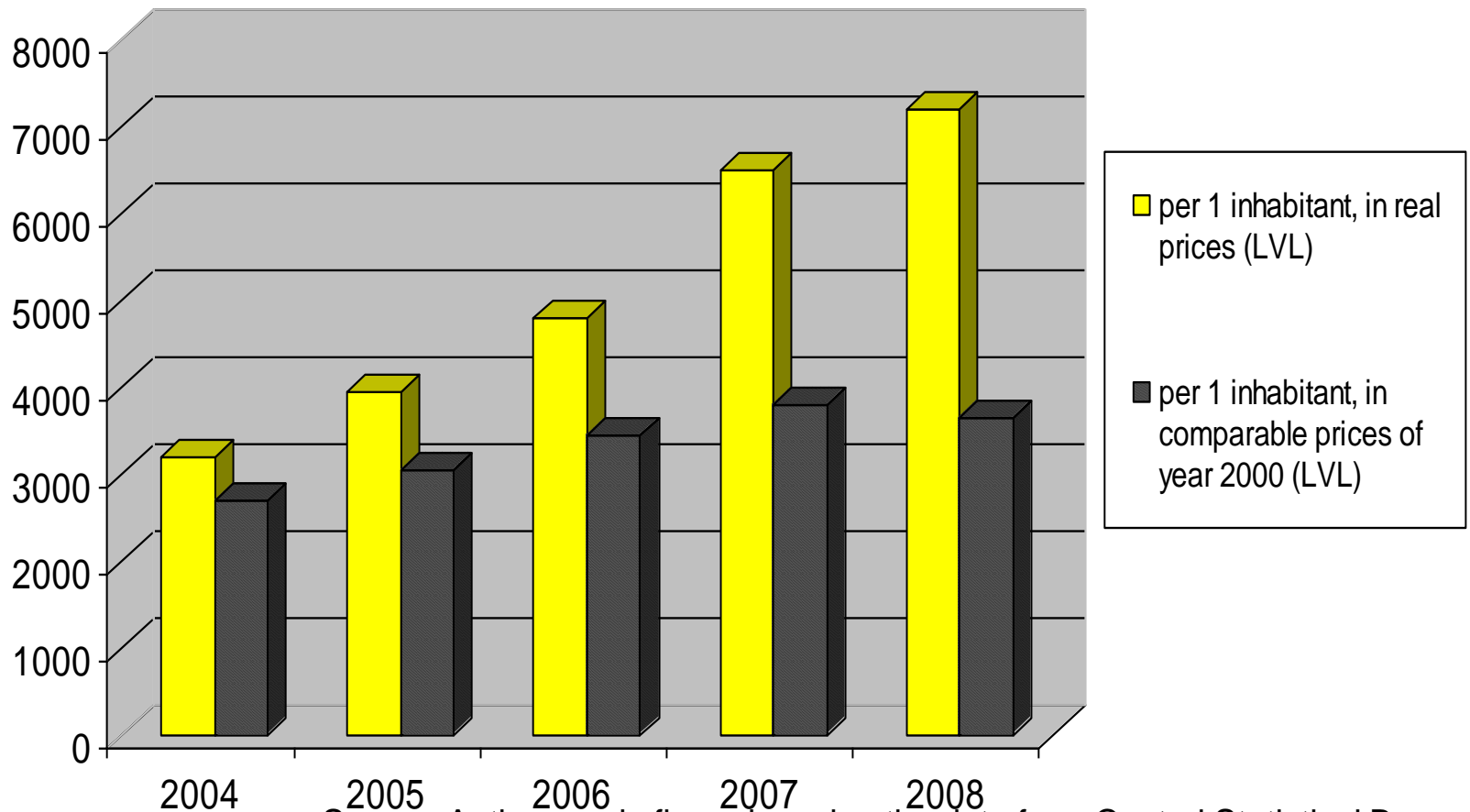
Government-Supported Credit Programmes for Entrepreneurs

- ▶ Training, consultations and financial support for business start-ups and self-employment (administrated by the Mortgage Bank)
- ▶ Loans for raising the competitive capacity of enterprises (administrated by the Mortgage Bank)
- ▶ Guarantees by the Rural Development Fund and Latvian Guarantee Agency

Loans functions in national economy:

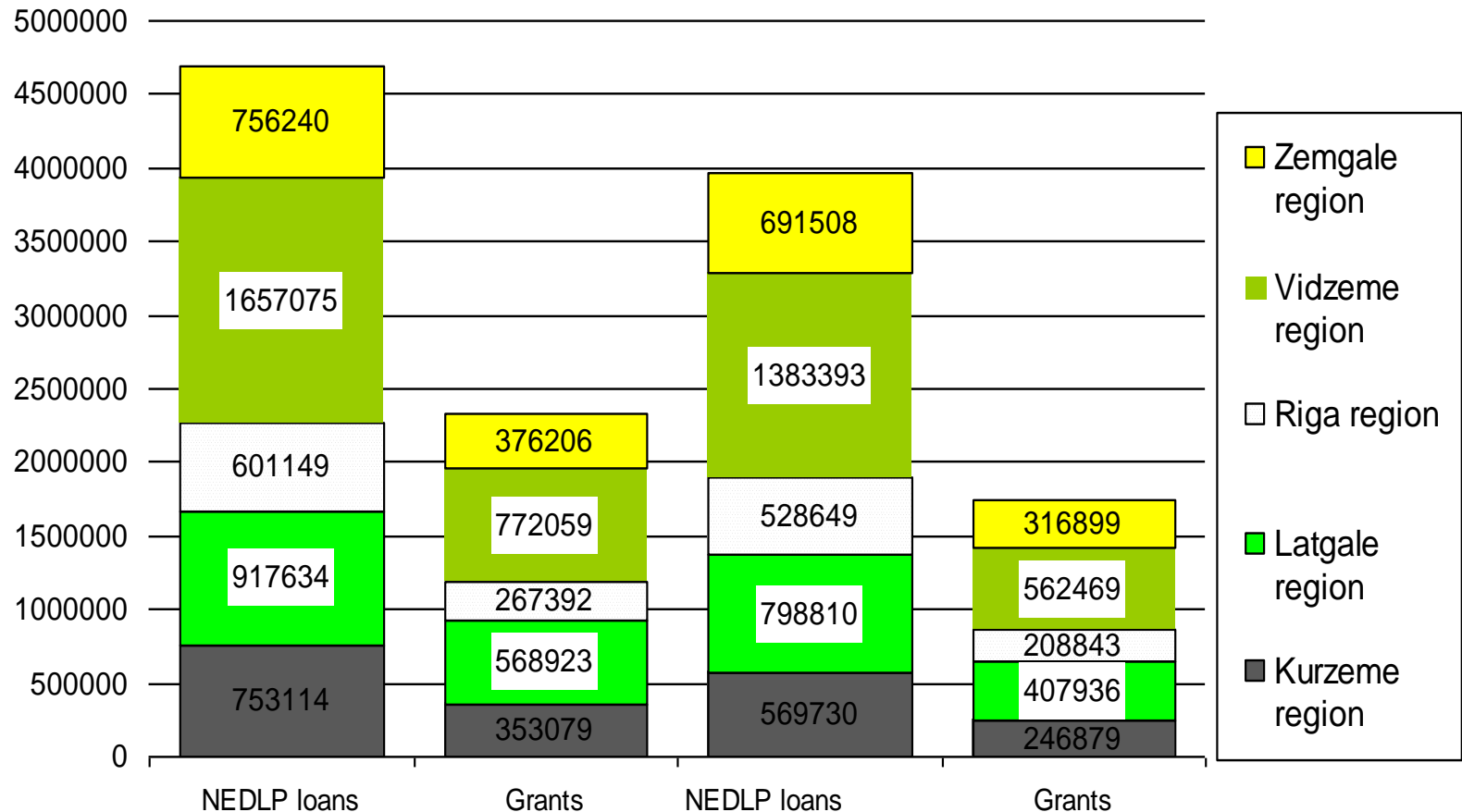
- ▶ function of redistribution – ensures redistribution of capital in national economy, shifting it from one sector into another, from one owner to another
- ▶ economy of circulation expenses – increases the proportion of productive capital, as well as production facility and profit rate
- ▶ function of national economy control – regulates the movement of capital in national economy and economic processes

Gross domestic product per 1 inhabitant of Latvia in 2004– 2008 (LVL) ... (1 LVL~1,42 EUR)



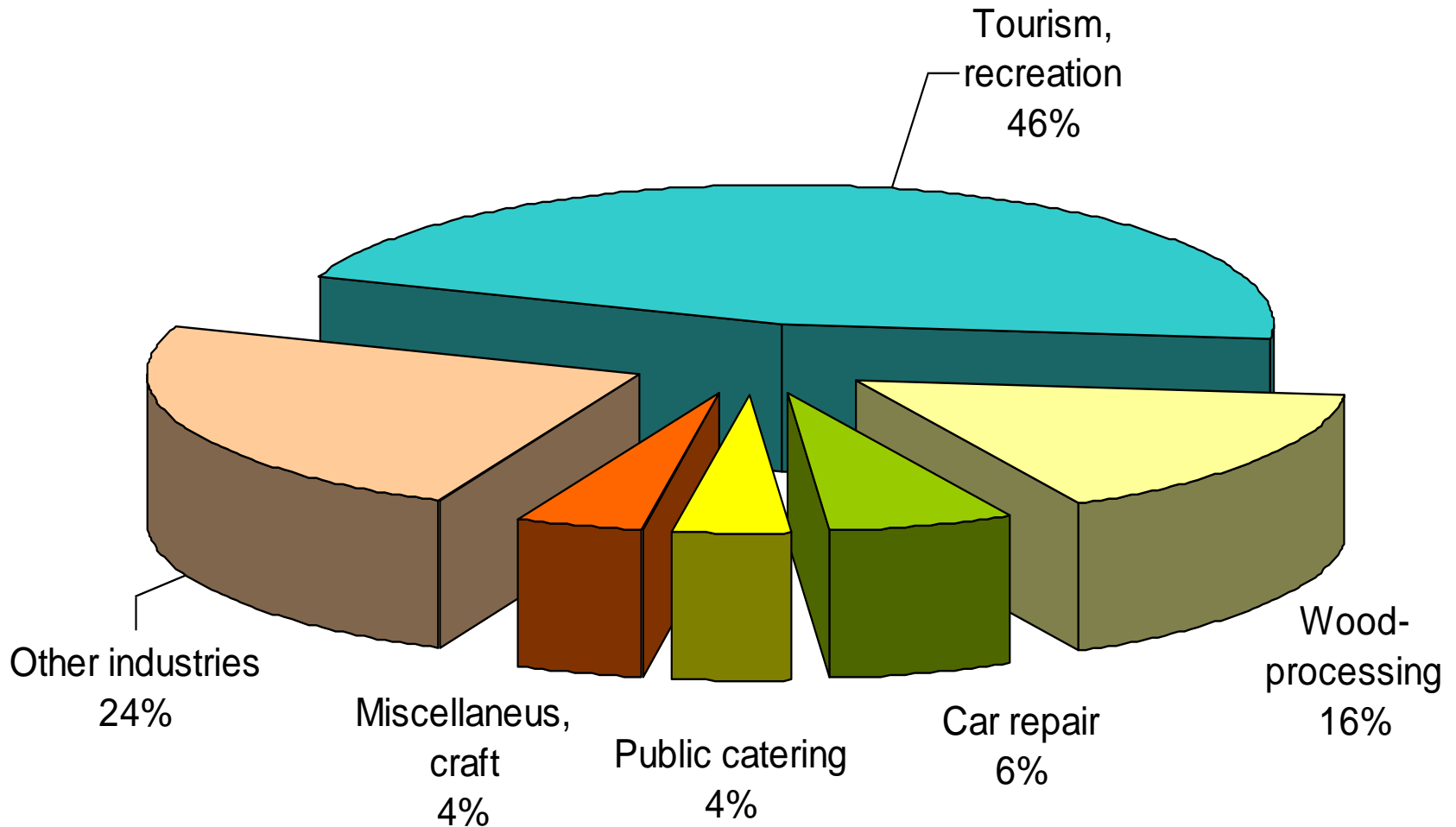
Source: Author-made figure by using the data from Central Statistical Bureau of Latvia

Amount of the claimed and granted Non-agricultural Entrepreneurship Development Lending Programme loans and grants (LVL)



Source: Author-made figure by using the data from the Mortgage Bank (*Hipotēku banka*)

Structure of implemented Non-agricultural Entrepreneurship Development Lending Programme



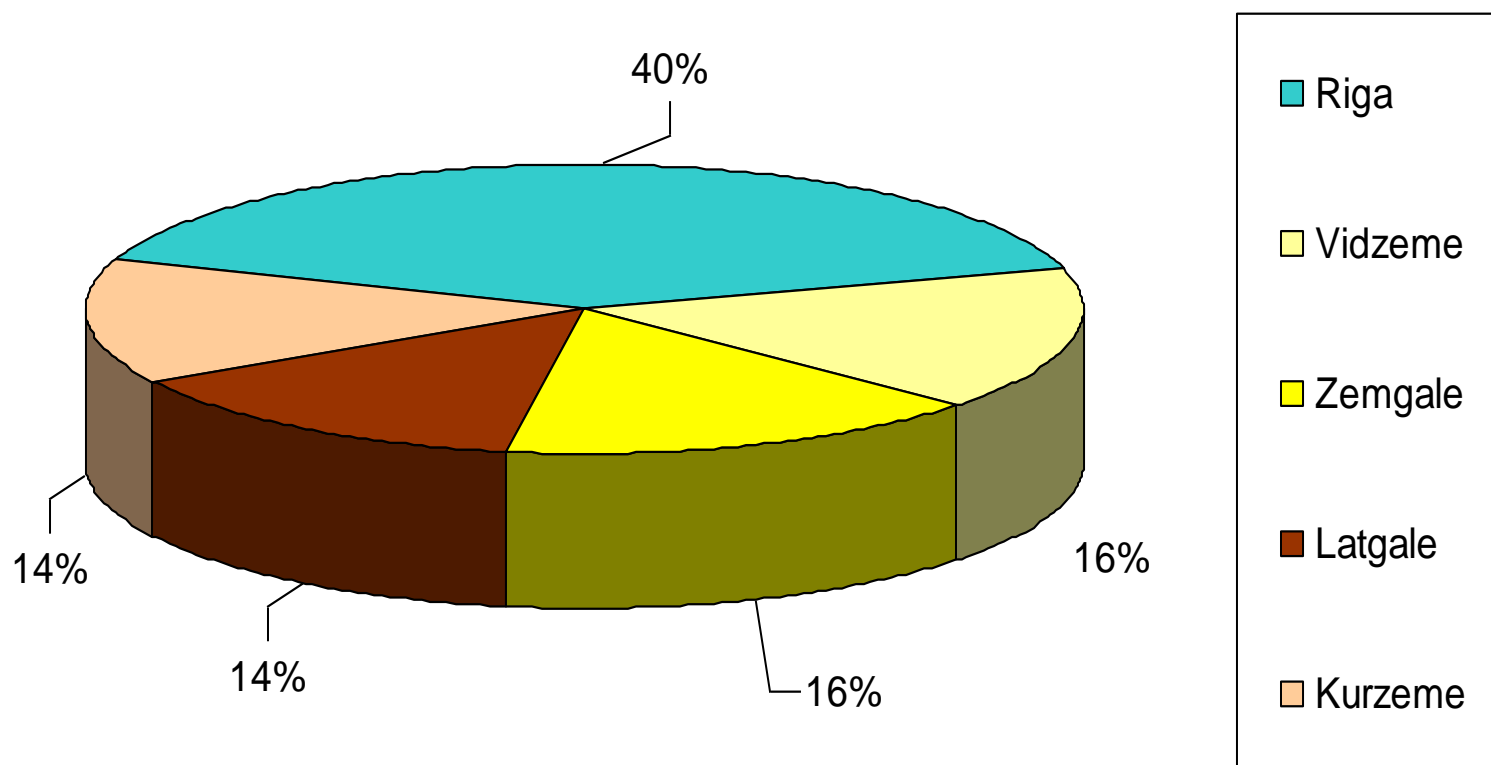
Source: Author-made figure by using the data from the Mortgage Bank (*Hipotēku banka*)

**"Training, consultations and financial support to business or self-employment start-ups",
programme results on January 1, 2009**

Type of support	Max amount, LVL	Average amount, LVL	Number of people	Sum, LVL
Grant for starting a business	2215	2070	296	612 669
Maintenance grant	3700	3700	327	1 209 900
Grant for covering consultancy service expenses	2125	2089	325	679 053
Start-up loans	50 000	17855	327	5 838 520

Source: Data from the Mortgage Bank (*Hipotēku banka*)

Projects (%) implemented by regions under the training programme



Source: Author-made figure by using the data from the Mortgage Bank (*Hipotēku banka*)

Loans granted under the Business Commencement Lending Programme before October 31, 2008

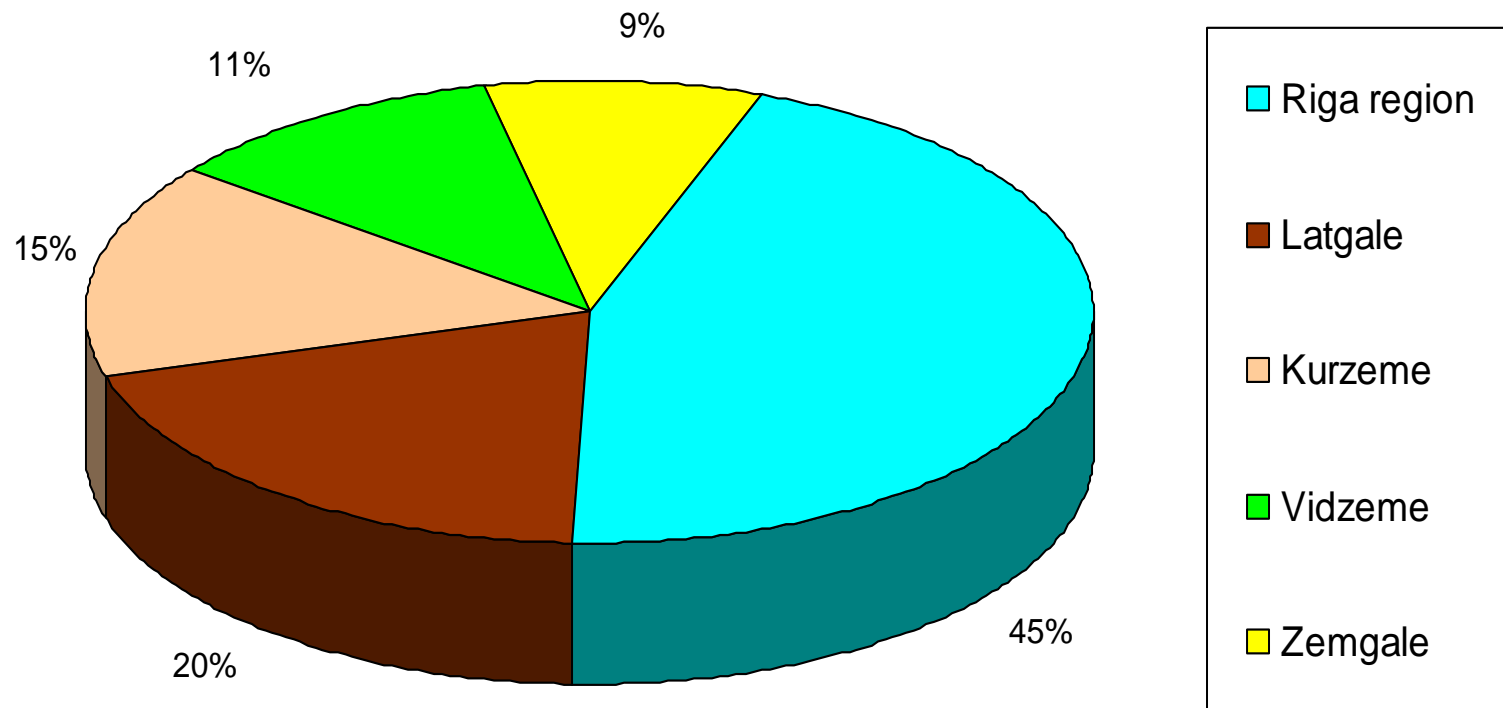
Amount of loan, LVL	Number of projects	% of total	Sum of loan, LVL	Sum of loan, %
1 000- 17 500	112	38,5	1 072 724	4,7
17 501- 50 000	59	20,3	1 819 131	8
50 001- 100 000	53	18,2	3 734 365	16,4
100 001- 500 000	62	21,3	12 961 510	56,9
500 001- 700000	5	1,7	3 174 361	14
Total	291	100	22 762 093	100

Source: Data from the Mortgage Bank (*Hipotēku banka*)

Description of granted loans by regions of Latvia before October 31, 2008

Region	Number of projects	%	Sum of the loan, LVL	%	Average sum of the loan, LVL
Riga	127	43,6	10 851 212	47,7	85 466
Vidzeme	57	19,6	2 964 221	13	52 004
Kurzeme	Planning reg30	10,3	2 899 248	12,7	96 642
Zemgale	38	13,1	2 864 500	12,6	75 382
Latgale	39	13,4	3 182 913	14	81 613
Total	291	100	22 762 094	100	78 220

Creation of working places (%) by regions under Business Commencement Lending Programme



Source: Author-made figure by using the data from the Mortgage Bank (*Hipotēku banka*)

Support to small and middle enterprises 2009-2013 (1)

- ▶ loans for improving competitive capacity of enterprises
- ▶ the programme „Support to Self-employment and Business Start-ups”
- ▶ guarantees by Latvian Guarantee Agency

Support to small and middle enterprises 2009-2013 (2)

- ▶ Loans for improving competitive capacity of enterprises were intended to amount to LVL 210 million
- ▶ Total funding for support of self-employment and business start-ups - LVL 23 million

The main conclusion

- ▶ State aid lending programmes help entrepreneurship to develop in rural areas of Latvia and increase the number of small and middle enterprises and creates new work places



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Thank you for attention!

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