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## **PARTICIPATION OF EAEU COUNTRIES' BANKS IN FINANCING INNOVATION POTENTIAL**

### ***Summary***

*Investment plays an important role in the development of economies during the crisis associated with the coronavirus pandemic. The EAEU countries, like other countries around the world, need funding for innovative projects that will help them emerge from the crises. In this period, not only companies' funds are reduced, but also the possibility of direct state support of innovators due to the budget deficit, as well as the possibility of obtaining direct foreign investment in the required volume. Due to growth of uncertainty at the present stage the motivation of both developers and investors in implementation of innovative activity, which is rather risky, decreases. That is why much attention is paid to the search for new sources of financing innovative projects. One of the additional sources of financing with significant potential are the funds of the national banking systems of the EAEU countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia). Although the five countries' banks are the main holders of their countries' capital, their financial resources are still underutilized in the countries to finance innovative development. The use of bank capital will increase the amount of investment needed to implement innovative projects. As a result of the study, the main problems are identified and the directions of attracting bank capital for business development in these countries are proposed.*

### **Introduction**

With the coronavirus pandemic, many countries faced difficulties in economic development due to the need to suspend the work of many industries during the quarantine period. Diversification of national economies and the introduction of innovative digital technologies in many areas have become the main direction for solving the problems of economic development of the EAEU countries. To implement innovative projects, the problem of finding sources of financing is acute. If previously the main sources of financing innovations were mainly the funds of companies and the state budget, then, overcoming the problems of the economic crisis associated with the pandemic coronavirus, the EAEU countries are working to find additional sources of financing innovative projects.

A promising direction for expansion of financing and implementation of innovative developments of the EAEU countries is the use of capital of their national banking systems. Bank financing of innovative development is not

widespread yet due to significant risks arising in the implementation of innovative projects, but it has great economic potential.

The role of banks in financing important economic projects is to close the capital gap by stimulating savings and investment.

A sound banking system mobilizes the small and scattered savings of the population and makes them available for investment in productive enterprises.

In the recovery of the country's economic development after the coronavirus pandemic, banking capital occupies a strategically important place. Financing innovative projects of great importance is impossible without adequate capital accumulation.

The relevance and significance of the study of the development of the banking systems of the EAEU countries, determining the prospects for expanding the financing of their innovation potential in the current period are of particular importance.

The problem of taking into account the impact of the use of bank capital in the financing of projects of small and medium-sized companies in the EAEU countries is very important, but has not yet been sufficiently studied.

### **Part 1. The role of banks in the development of microfinance for small and medium-sized businesses**

During the economic crisis associated with the coronavirus pandemic, many companies creating innovative technologies and products experience a lack of investment funds. During this period, not only companies' funds are reduced, but also the possibility of direct state support for developers of innovations is reduced because of the budget deficit, as well as the possibility of obtaining foreign direct investment in the necessary volume. Due to the growing uncertainty at the present stage, the motivation of both developers and investors to carry out innovative activities, which is quite risky, is decreasing. That is why much attention is paid to the search for new sources of financing innovative projects.

Microfinance is currently one of the innovative financial instruments. With the help of microfinance small businesses can obtain loans for the development of their business without collateral and guarantees (unlike classic bank loans).

Microfinance in Russia is at the stage of formation and development. Activities of microfinance organizations are regulated by the Federal Law (№ 151-FZ of July 02, 2010 «On Microfinance Activities and Microfinance Organizations») [1].

The World Bank for Reconstruction and Development is developing twelve financial projects in Russia. One of them is related to the development of microfinance in the country (Microfinance Development Project) [2]. The volume of microfinance amounted to \$40.3 million, of which \$20 million was allocated as a long-term 18-year loan until 2031 (including

a grace period of 5 years of lending – from February 1, 2013 to December 31, 2017). As a result, 1.28 million Russian small entrepreneurs received microcredits to develop their activities [3]. The project provides for the creation of legal, regulatory and supervisory microfinance units in Russia.

Problems with obtaining microcredits are experienced not so much by urban entrepreneurs, as by small businesses in rural and remote areas, whose needs are met only by 10%.

Russian banks are mostly located in large cities. The creation of an extensive branch network in rural areas and remote regions is unprofitable for most banks (except for Sberbank). This is why the financial needs of rural small and microentrepreneurs are not sufficiently met. Loans for business development in Russia are mainly provided by banks (they account for about 48.3% of GDP). In Brazil, this figure is 119.1%, in India – 77.1%, in China – 163%, in South Africa – 190.4% [4].

Microcredit has significant potential to expand access to finance for small and microenterprises in rural and remote areas. Until 2010, the microfinance market in Russia was spontaneous (there was no state control over its activities). Since 2011, the functions of state regulation, control and supervision of microfinance institutions were assigned to the Ministry of Finance, then the functions of control and supervision were transferred to the Federal Service for Financial Markets, the function of regulation remained with the Ministry of Finance. Since 2013, the Central Bank of the Russian Federation became the mega-regulator and supervisor of microfinance institutions. In 2013, a large-scale cleanup of the microfinance organizations market was carried out, 6,315 unscrupulous and non-performing companies were excluded from the system. A two-level system of supervision was established, which was carried out by the Bank of Russia and self-regulatory organizations.

The regulation of the microfinance market in Russia has made it possible to ensure:

- sustainable development of the market;
- effective risk management that ensures stability and reliability of market participants (requirements to funds of companies have been established – for microfinance companies – 70 million rubles, for microcredit companies it is 1–5 million rubles, standards have been introduced, the order of reserves formation has been determined);
- protection of the rights and interests of consumers (requirements and restrictions on the activities of legal market participants are established, illegal creditors are combated).

As of February 17, 2020, there were 1,752 microfinance organizations registered in Russia with a loan portfolio of 212 billion rubles [5].

The microfinance market is part of a country's financial system. Microfinance institutions complement the banking sector. The Bank of Russia regulates the microfinance market, directly and through self-

regulatory organizations, supervises and controls the activities of its participants. Microfinance organizations, unlike banks, do not receive a license, but a state register, which is issued to them by the Central Bank.

## **Part 2. Experience of Russian banks in financing important investment projects**

Russia ranked fourth in Europe in terms of the volume of private investment in high-tech sectors of the economy, as well as 27th in the world in the growth rating of the global financial technology market [6].

However, only a small number of Russian commercial banks, including not only state, but also commercial financial organizations, participate in the financing of high-tech projects. For example, when financing innovative projects, VEB (ex-Vnesheconombank) raises borrowed funds in addition to budget funds and organizes co-financing of projects with other investors.

According to Vnesheconombank's Development Strategy, support was provided for the development of industries and regions, small and medium-sized enterprises and national exports. The development bank activities are aimed at enhancing the competitiveness of the national economy and expanding modernization on an innovative basis.

Vnesheconombank financed 289 innovative projects in aviation, electronics, nuclear, industry, energy, defense industry, computer technology and software, information and telecommunications systems, medical equipment and pharmaceuticals.

An important area of activity of Russian financial organizations is investing in innovative projects in the non-resource sector. For example, Vnesheconombank, VEB Capital, VEB Leasing, SME Bank, GLOBEX Bank and Svyaz Bank, Export Insurance Agency of Russia jointly financed the development of infrastructure of industrial parks in the Kaluga region, which allowed to create 29 new production facilities, manufacturing and warehouse complexes and logistics centers, providing 16 thousand jobs.

Vnesheconombank began financing an infrastructure project of Rosneft to create a terminal for transshipment of oil products in the commercial sea port of Ust-Luga. This public-private partnership project is promising, with an annual export volume of 30 million tons of petroleum products through this port. In the complex development of the port area, a cluster approach was used, related not only to the creation of modern industrial production, but also to the creation of an environment comfortable for city residents.

In the Far East and the Baikal region, Vnesheconombank financed innovative projects worth 448 billion rubles, which helped create 21 thousand modern jobs. The bank has invested 295 billion rubles in seven new projects, such as the construction of full-cycle car plants of Sollers and manufacturers of Japanese and Korean cars (Mazda, Toyota, SsangYong) and others.

The bank could make larger investments, but the quality of the projects submitted for consideration is low, insufficiently elaborated from a scientific and practical point of view. The main problem for attracting investment in the integrated development of the Far East is the underdeveloped infrastructure, which is the first place to invest in.

Vnesheconombank and its subsidiaries support Russian non-oil and gas industrial exports and seek to make state financing available to companies implementing innovative projects. For example, Vnesheconombank is financing the creation of the fundamentally new YaMZ-530 engine and the development and implementation of a pharmaceutical manufacturing complex.

Currently, the portfolio of the state corporation includes more than 200 projects, among which there are projects related to the innovative development of the country. Let us name the most significant investment projects of the bank in the sphere of innovations [7].

Of particular importance in 2020 in the fight against coronavirus infection is a project related to the development of innovative drugs. Vnesheconombank invested 9.4 billion rubles in the activities of R-Pharm, which develops innovative drugs, including Artlegia (olokizumab) to treat rheumatoid arthritis, whose effectiveness and safety have been confirmed in the treatment of cytokine storm, for the treatment of severe forms of coronavirus (COVID-19).

VEB invested 4.8 billion rubles in the creation of the innovative biotechnological complex Fort (one of the largest in Europe), whose activities are aimed at the development and implementation of drugs (according to GMP standards), the production of which uses bio- and nanotechnology. The production of innovative drugs made it possible to reduce dependence on the West.

Vnesheconombank has invested 3 billion rubles in yet another innovative project related to setting up an enterprise to grow synthetic sapphires and create LEDs and integrated circuits based on them, which can be used in optoelectronics, microelectronics, optics, medicine, chemical industry, etc. The total cost of the project is 5.2 billion rubles.

VEB's participation in innovative aircraft-building projects is connected with investments of 7.1 billion rubles in the creation of the new MS-21 aircraft (the project is aimed at the purchase of aircraft equipment, the use of composite materials affecting aircraft weight and fuel consumption), as well as 73 billion rubles in the production and international market launch of the Sukhoi Superjet 100. The total cost of the project is 150.8 billion rubles.

Vnesheconombank has invested 1 billion rubles (the cost of the entire project is 2.2 billion rubles) in the creation of production of innovative, globally competitive aircraft aggregates NPO Nauka, the activities of which are aimed at producing components for aircraft and space equipment.

VEB participates in financing not only innovative aviation but also space projects. The Bank invested 7.7 billion rubles in the creation of the Express-AM7 spacecraft (satellite). The implementation of this innovative project is aimed at creating modern means of communication and development of new communication technologies.

An important investment project of Vnesheconombank is the creation of a data processing center in St. Petersburg (the bank's investments amounted to 2.2 billion rubles). The data center has patented innovative technology (SrackCube) that has no analogues in the world.

As part of the AvtoVAZ development program, the bank invested 60 billion rubles in modernizing the production facilities of the Izhevsk plant, developing and launching the production of Lada Vesta new generation car (500 cars per year).

More than half (54.5%) of VEB's projects are aimed at infrastructure development. Among these projects are the construction of the Western High-Speed Diameter (25 billion rubles); the creation of a high-speed Moscow-St. Petersburg highway (12.4 billion rubles); the construction of the coal seaport Sukhodol in the Far East (VEB invested 3 billion rubles, and VTB – 27 billion rubles); the construction of a new passenger terminal in Khabarovsk (3.9 billion rubles); commissioning a unified transport and logistics complex in the Kaluga region (3.7 billion rubles) and others.

Vnesheconombank participates in investment projects in the former USSR countries. For instance, in April 2020 VEB and the National Bank of the Republic of Uzbekistan for Foreign Economic Activity entered into a loan agreement to finance delivery of five mainline electric freight locomotives for the Uzbek Railway.

The bank's investment in the supply of five new generation cars for use on the Tashkent metro ring line amounts to 19.62 million rubles.

VEB invested \$500 million in the creation of a nuclear power plant in Belarus (the agreement was concluded between the governments of the Russian Federation and the Republic of Belarus). Two power units with VVER-1200 type water-water reactors are of the latest generation (3+) and meet international IAEA safety standards. The total cost of the project – \$9 billion (90% of which was financed from the state budget of the Russian Federation), which became the largest investment project of Russian-Belarusian cooperation.

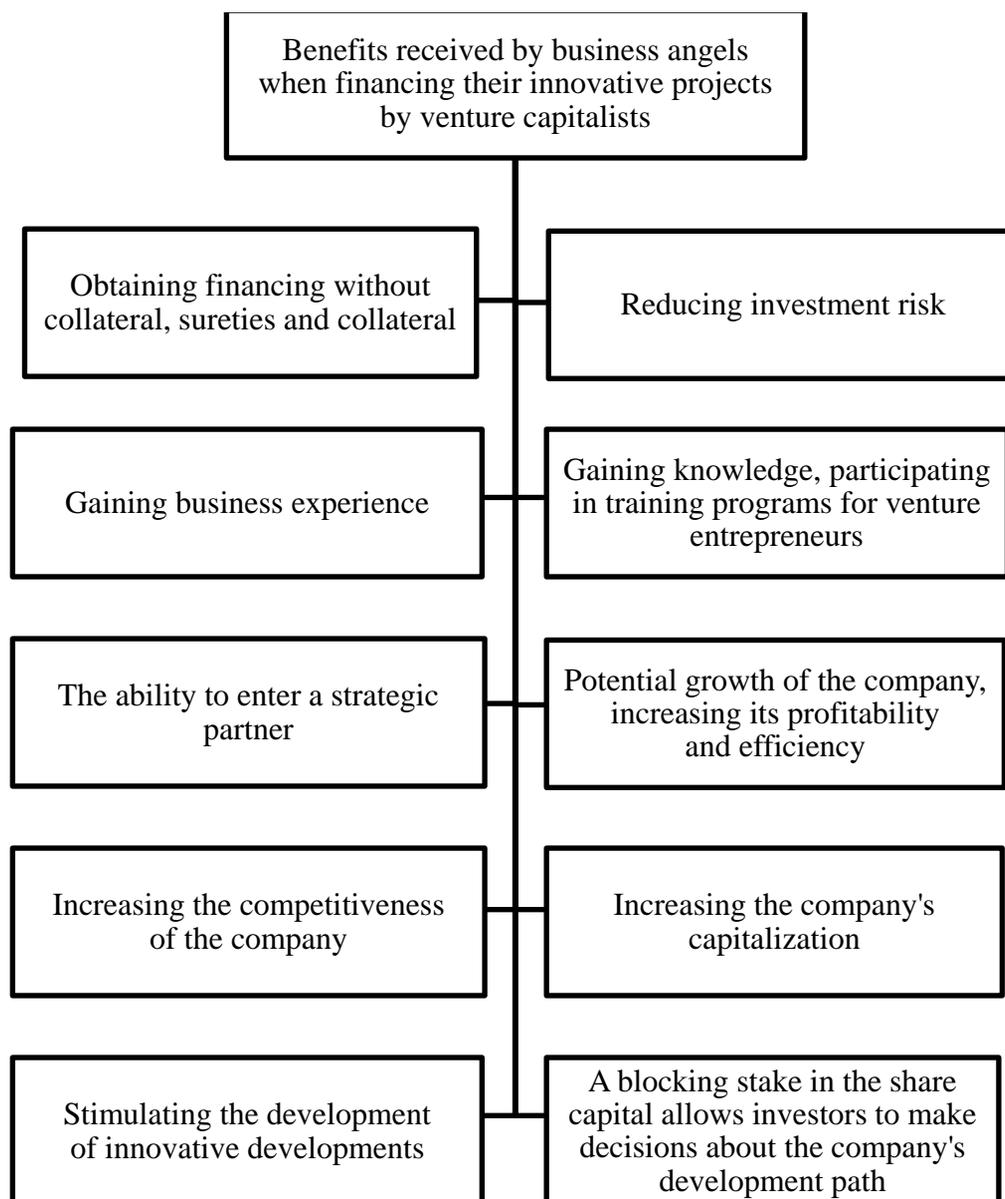
In 2020, VEB together with the Corporation of Small and Medium Business implemented anti-crisis measures to support entrepreneurs and worked on the implementation of a road map to stimulate the business activity of small businesses.

Medium-sized enterprises are financed by SME Bank (a subsidiary of Vnesheconombank), providing bank guarantees for half of the loan (which is already secured by Vnesheconombank's bank guarantee of 40 billion rubles)

to light industry companies that implement innovative developments in the production of high-tech workwear and personal protective equipment.

Only a few Russian commercial banks participate in the financing of innovative projects.

To develop the activity of these commercial banks it is necessary to develop measures aimed at increasing their interest in crediting innovations. The role of banks in the development of innovations should be connected not only with the lending of innovative projects, but also with the development of the venture capital market. Venture investors can be not only financial companies, but also commercial banks (Figure 1).



**Figure 1. The benefits business angels receive when venture capitalists fund their innovative projects**

*Source: compiled by the author*

Banks' participation in risky venture capital investments is associated with entrepreneurial risk. The use of venture capital investments is aimed at financing the activities of high-tech companies engaged in innovative development.

While conventional venture capitalists provide financial support to innovative business angels without collateral or guarantees, banks do not lend to new companies without pledges. Venture investments have a significant impact on stimulation of research and development, help the development of innovative small and medium-sized companies, implementation of innovative research. Commercial banks have significant opportunities for financial injections into development of innovations, which cannot be said about pension funds and insurance companies, which are limited in the volume of investments.

To stimulate investment activity of financial institutions in the field of innovation, central banks of EAEU countries could provide them with preferential interbank lending, and the state could provide tax incentives for financing the most important for the country innovation projects. These measures can be especially effective in Russia, where due to sanctions imposed by Western countries, the implementation of innovative developments is constrained by the lack of financial resources. Consequently, it is necessary to develop a system of risk regulation in the banking sector associated with the active use of resources of credit and financial institutions in lending and venture financing of high-tech innovation projects.

### **Part 3. Leading banks of some EAEU countries.**

For 2019–2020, the assets of the ten largest banks in Kazakhstan grew by 16.8%, the volume of loans issued – by 11.8% (JSC Halyk Bank of Kazakhstan, SB Sberbank of Russia JSC, JSC Kaspi Bank, AR Otbasylar Bank, JSC Fortebank, JSC SB Alfa-Bank, JSC Altyn Bank (SB China CITIC Bank), JSC Jusan Bank, JSC AB Bank of China Kazakhstan, JSC Bank CenterCredit). Their share in the assets of the banking sector grew from 82% in 2015 to 85.6% in 2020; in terms of loans, their share increased from 85% to 89.3% during this period [8]. The main source of funding is the deposits of individuals and legal entities.

The largest bank in Kazakhstan in terms of assets and capital is JSC «Halyk Bank of Kazakhstan». In 2020, its assets amounted to 9.97 trillion tenge (32% of the total assets of the country's banking sector), and the bank's equity capital – 1.4 trillion tenge. Deposits of individuals and legal entities of the bank amounted to 7.34 trillion tenge [8]. The bank operates not only in Kazakhstan, but also in Georgia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

In 2020, banks in Kazakhstan began to actively implement and use digital technology. Some banks in the country are striving to create their own

ecosystem. In the banking system, there is a division of banks by function. Many banks are increasing lending to small and medium-sized businesses, while reducing government involvement in lending to this sector of the economy.

The largest universal systemically important financial institution of the Republic of Belarus OAO ASB Belarusbank offers all kinds of banking services and products. It occupies a leading position in the domestic banking system by such indicators as the level of equity (4556 million BYN), assets, loans (29299 million BYN) [9], deposits. The bank's activity is aimed at contributing to the dynamic development of the most important sectors of the economy and the social sphere. The bank's clients include industrial, construction, agro-industrial, telecommunication and petrochemical enterprises, whose activities are aimed at expanding modernization and expansion of production, implementation of import substitution programs, development of export potential.

Belarusbank has an extensive branch network and developed infrastructure. Its system includes 6 regional offices, 120 banking service centers, 1009 branches, 93 exchange offices, 4 mobile cash desks, 14 remote workplaces. The bank provides comprehensive customer support to both existing and start-up companies and entrepreneurs, who can receive financial and advisory services, necessary from establishing a company to entering the international market.

The bank positions itself as a socially responsible brand with a high level of values that the whole world relies on. The Bank's socially significant projects are: «Paternal Home», «Vector of Kindness», «Bridge to the Future», «Let's Win Together!», «Space of Inspiration» [10]. In 2020, the bank offered credit products under the Small and Medium Entrepreneurship Support Program. To ensure the availability of banking products for small and medium-sized enterprises, a cooperation agreement with the Belarusian Fund for Financial Support of Entrepreneurs was signed in January 2021.

With the support of a bank loan several major investment projects were implemented, including, for example: a) FLLC Slavkaliy project for the construction of Mining and processing complex; b) LLC «MMPZ-Group» project for the construction of a plant for the production of tinsplate and cold-rolled. Sheet; c) the project of RUE Minskenergo for the reconstruction of the Minsk CHP-3; d) the rolling stock renovation of the state enterprise «Belarusian Railroad»; e) the project for the construction of dormitories for state institutions of higher education.

The bank attracts funds from the European Investment Bank to finance both small and large investment projects. This allowed small and medium-sized enterprises to use credit resources on comfortable terms. To finance entrepreneurs, the bank also attracts funds from the Development Bank, the International Bank for Reconstruction and Development and the Khalifa Foundation for Enterprise Development.

The bank is a member of the Interbank Association of the Shanghai Cooperation Organization, the World Savings Bank Institute, the Banking Association of Central and Eastern Europe, the International Association of Trade and Forfeiting, the CIS Financial and Banking Council. It has representative offices in Germany and China. The achieved level of cooperation with foreign partners, an efficient network of correspondent banks allow the Bank to meet the growing needs of its customers in financing foreign economic activities and international settlements. Belarusbank became the best bank in Belarus in the nomination «The Best Banks in the Developing Market of Central and Eastern Europe» for 2020.

Ameriabank was awarded as «Bank of the Year in Armenia 2020» in a contest held by The Banker magazine of the Financial Times. This is the seventh time Ameriabank has received this award, which is the highest recognition of banking activity [11]. According to Euromoney magazine, in 2021 Ameriabank was awarded «For Excellence» in the «Best Bank in Armenia» category [12]. Considered as a significant improvement of the bank's profitability, stable growth, introduction of innovative banking services, strategic relations and proactive activities aimed at digitalization. Ameriabank is a dynamically developing bank, one of the largest and most stable financial institutions in Armenia, with a clearly defined digital agenda. Ameriabank offers not only a wide range of innovative banking services, but also corporate, retail and investment banking in a comprehensive package. Ameriabank is the largest bank in Armenia with total assets exceeding AMD 1 trillion. Ameriabank is a financial bank by major metrics, a fast-growing business with a special focus on «green» financing. Since 2009, the bank has financed more than \$250 million in renewable energy projects, including solar, photovoltaic and wind power.

Since 2015, the OPEC Fund for International Development (OFID) and Ameriabank, Armenia's largest universal bank, have been cooperating, successfully contributing to the Armenian economy through SME and trade finance mechanisms. The first loan of USD 20 million was allocated to support the development of small and medium-sized enterprises in Armenia in various sectors, including wholesale trade, manufacturing, food processing and hotel business. The second loan of \$25 million under the trade finance operations of the OPEC Fund helped expand Ameriabank's international trade portfolio. Both loans provided financing to more than 130 enterprises in Armenia. The OPEC Fund for International Development is the only development finance institution with a global mandate to provide financing from member countries exclusively to non-OPEC countries. The OPEC Fund works with developing countries and international partners to stimulate economic and social growth in middle- and low-income countries. The core idea of the OPEC Fund is to stimulate development, strengthen communities and empower people.

In November 2021, OPEC Fund and Ameriabank signed an agreement on providing a \$30 million long-term priority loan to support private sector development in Armenia. About 50% of the loan will be used to finance small and medium-sized enterprises, providing access to finance and enabling enterprises to obtain the necessary funds to develop their businesses and create and maintain jobs. The other half of the loan will be used to support green projects, energy efficiency and carbon reduction in Armenia.

Ameriabank continues lending activities in the business sector, thus providing an opportunity to hundreds of companies to operate uninterrupted in the current crisis environment. Within the framework of the Armenian government's programs on neutralization of the economic consequences of the coronavirus Ameriabank has supported numerous companies, helping them withstand the crisis and continue normal operations. Ameriabank's share in the total volume of loans approved under the aforementioned programs is the highest in the RA banking system – 37%. In addition to the loan funds provided to enterprises by the government through Ameriabank, the bank was also actively engaged in lending from its own resources. The bank disbursed AMD 18.5 bln of loans on favorable terms to various sectors of the economy in 2020. One of the investment projects Ameriabank is involved in is Masrik-1 solar power plant, the largest industrial solar power plant in Armenia.

Fotowatio Renewable Ventures (FRV), a member of Abdul Latif Jameel and a leading global developer of renewable energy projects, has completed a financing deal to build the largest industrial solar power plant in Armenia. The 55 MW Masrik-1 solar power plant, located in the Mets-Masrik municipality of Gegharkunik region, is the first of its kind in Armenia and will help increase Armenia's supply of renewable energy, while reducing its dependence on fossil fuels. In 2018, FRV and the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia signed an Agreement to provide state support for the design, financing, construction, ownership and operation of the solar power plant through the Renewable Energy and Energy Efficiency Fund (R2E2), the Armenian Government's authorized body to implement the project. The Masrik-1 solar power plant will generate more than 128 gigawatt-hours of electricity per year at a competitive rate of \$41.9 per MWh. The electricity generated will be sold to Electric Networks of Armenia (the utility responsible for distributing electricity in the country) under a power purchase and sale agreement. The plant will generate enough clean energy to power more than 20,000 homes and avoid more than 40,000 tons of carbon emissions per year.

The project is supported by the International Finance Corporation of the World Bank Group, the European Bank for Reconstruction and Development and the European Union. They will provide funding of up to \$38.4 million in several tranches. Ameriabank will support the project by providing financing to cover the company's VAT.

Ameriabank pays much attention to green technologies. In November 2020 the bank issued Euro denominated green bonds in the amount equivalent to \$50 million, which marked a milestone in the local financial market as the first ever green bond project in Armenia. The bonds were structured in accordance with the internationally recognized Green Bond Principles of the International Capital Markets Association. The funds raised through green bonds offer a unique opportunity to play an important role in financing green projects that promote environmental sustainability. FMO, the Dutch Business Development Bank, was a key investor in this deal. By investing in more than 80 countries, FMO supports job and income creation to improve the lives of people in the regions of the world where it matters most. FMO helps businesses operate and grow in a transparent, environmentally and socially responsible way.

The best bank in Kyrgyzstan is the DemirBank. For its innovative credit project Card Plus Bank was awarded by GlobalFinance magazine in the nomination «The Best Bank in Kyrgyzstan», «Innovator 2021» [13]. This project is an innovative new scheme of purchasing goods and services by installments for up to 12 months in more than 250 outlets across the country. For the bank's customers, the «Card Plus» project allows them to make purchases in installments without having to apply to the bank for a loan and provide a package of documents. The bank provided a wide range of banking services to corporate clients, SME clients and individuals using innovative banking services. A successful indicator of the bank's activity is a broad client base and a constantly expanding range of services. DemirBank, with a market share of 9%, strengthened its performance in 2020 and increased assets by almost 12%. Return on equity was 14.7% and profit increased by 7.3% by the end of 2020 compared to the end of 2019. In recent years, for the convenience of its customers, the bank has focused on the development of Internet banking and mobile banking services, converting a large number of banking services to digital format. The main objective of DemirBank is to provide a wide range of banking services to corporate clients, SMEs and individuals using innovative banking services. DemirBank is an active member of various business associations and organizations, such as the International Business Council, American Chamber of Commerce, Union of Banks of Kyrgyzstan, Deposit Protection Agency of the Kyrgyz Republic, Rotary Club, as well as partner and member of the national payment system ElCard, international payment systems VISA, MasterCard.

DemirBank is the only bank in the Kyrgyz Republic that has had its own Processing Center since 2002. The Bank's Processing Center is a hardware and software complex that allows it to service all bank card transactions and ensures the processing of payment card transactions.

The heads of development banks of the EAEU countries and the Eurasian Development Bank agreed to create a coalition of Eurasian development banks. The creation of the alliance will create a new stage of interaction

between the leading financial institutions of development of these countries. The funds of the new alliance will be used to develop major projects that contribute to the creation of a new quality of life in the EAEU states. This will contribute to the expansion of the digital transformation of the Eurasian space and the transfer of the economies of the EAEU countries to a new technological way of life.

In general, the banking sector of the EAEU countries is characterized by stability, significant liquidity, sufficient capital and a good asset structure, which contributes to the reduction of credit risks.

### **Conclusions**

Based on the study, it is possible to identify the main problems of attracting banking capital to the business structures of the EAEU countries: a) weak state support of banks in financing high-risk innovative projects; b) weak convertibility of the results of scientific research and technological developments in competitive market products, their insufficient commercialization; c) banks are not interested in structuring credit products to reduce risks; d) the predominance of short-term rather than long-term lending by banks not interested in issuing long-term loans; e) credit institutions are wary of participating in the financing of innovative entrepreneurial activity because of the possible unpredictable risks.

To solve these problems it is necessary to: a) develop mechanisms of state support and stimulation of credit organizations in financing innovative projects; b) use special investment products by banks to finance innovative companies; c) create in banks not only various programs for granting loans, but also risk management programs, programs for attracting resources for implementing innovative projects; c) provide consulting services of business angels and support innovative projects.

The study determined that the expansion of microfinance development in the EAEU countries for business development implies the following: introduction of new financial services for the expansion of small and microbusinesses, including in rural areas; creating incentives to attract institutional investors (including foreign ones) to microfinance; improving financial literacy, holding free webinars, and introducing online training programs; promotion of microcredit for start-up entrepreneurs, business angels and the poor; development of a system of visual assessment of the effectiveness of microfinancing; reduction of legal barriers to effective lending to small and microbusinesses by microfinance organizations.

The solution to these problems of bank financing of critical investment projects must be associated with the following: a) allocation of loans by banks to start-up entrepreneurs for implementation of significant innovation projects against future claims on investment loans; b) provision of preferential long-term interbank loans to banks for investment in venture innovation projects; c) introduction of innovative financial technologies

aimed at creating a mechanism of syndication, venture investment and asset securitization; d) allocation of state guarantees for venture investments of credit and financial institutions, which will guarantee loans without collateral and guarantees; e) introduction of financial innovations, structured financial banking assets, which are a combination of traditional and innovative banking instruments, such as bonds, bills, etc., and derivative financial products, such as swaps, forwards, credit derivatives, etc., allowing to reduce credit risks.

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