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Trust as the Basis of Partnership between Small Enterprises and Banks

D.A. Zhdanov

Central Economics and Mathematics Institute, RAS, Moscow, Russia; Russian Presidential Academy of National Economy and Public Administration, Moscow, Russia
<https://orcid.org/0000-0001-9372-2931>

ABSTRACT

The presented study touches upon two groups of problems that significantly affect the development of the Russian economy. The first of them is the creation of conditions for the expansion and formation of small business, which, in particular, is a priority area of one of the national projects. The second problem is the establishment of relations of inter-firm trust in the domestic business environment, which is in demand in various sectors of the economy and has become, for example, the dominant topic of the St. Petersburg International Economic Forum. Hence, the **paper aims** to form, on the basis of trust relations, a model of interaction between small enterprises and banks, which makes it easier to obtain loans. The object of the paper is intercorporate (B2B) trust, and the subject is the improvement of relationships between small businesses and banks on the basis of trust. **The methodological basis** of the study is an integral approach that combines both institutional and sociological views on the phenomenon of trust, and the traditional economic analysis of the relationship between banks and their clients, small enterprises. The analysis showed, on the one hand, the complexity of the relationship between banks and small enterprises, and on the other hand, the prospects of these clients for banks. There was also demonstrated the role of the B2B trust as a tool for establishing steady mutually beneficial contacts of the subjects under consideration. The author **concluded** that the model of partnership between small enterprises and banks, based on the establishment of relations of trust between the parties, will stimulate investment processes in small business and support its development. The study presents the organizational solutions for the establishment of the proposed model.

Keywords: inter-firm trust; small and medium-sized enterprises; SME; B2B relations; loans; business ecosystem; partnerships

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Small and medium-sized enterprises provide
a stable support for Moscow.
Sergey Sobyenin, Mayor of Moscow

INTRODUCTION

A significant task for the development of the Russian economy is to create conditions for the formation of domestic small and medium-sized enterprises (SMEs). Its development makes it possible to solve several fundamental tasks at once: to improve the competitive environment and the sectoral structure of the economy, to provide employment and self-employment of the population, to contribute to the growth of GDP and the innovative development of the country.

In this regard, one of the priority national projects for 2019–2024 is the project “Small and Medium-Sized Enterprises and Support for Individual Entrepreneurial Initiatives”, and a little earlier, in 2016, the Government of the Russian Federation adopted the “Strategy for the Development of Small and Medium Business until 2030”. Among its goals, it is worth noting the following one — “ensuring the availability of financial resources for small and medium-sized enterprises” as a key element of their formation.¹

The availability of financial resources allows a start-up business to get on its feet faster, increase turnover and implement commercial ideas, but its financial capabilities are severely limited, since, as a rule, they are formed at the expense of the founders’ personal funds [1]. According to a 2016 survey by the National Agency for Financial Research (NAFI), a quarter of domestic small firms were in dire need of loans.² The attraction of investment funds and the establishment of productive relations with banks as owners of credit resources is an urgent task for SMEs,

to which many economists pay attention (E.M. Bukhvald, A.V. Vilensky, V. Ya. Gorfinkel, V.B. Toreev, E.G. Yasin, and others). In this regard, the formation of tools for mutually beneficial and productive cooperation of SMEs and banks is an urgent scientific and practical task.

Another area of consideration of this study, which is rarely discussed in the context of the relationship between SMEs and banks, is trust as a factor that directly affects the functioning of the economy and society, the relationship of its subjects. The theme of trust, invading the sphere of public consciousness and science, replaces close moral concepts, for example, hope, affection, friendship [2]. The category of trust is increasingly manifested in various spheres of life in Russia and around the world. So, in 2018, it was the main topic of the St. Petersburg International Economic Forum, which was attended by the heads of governments and large companies from many countries of the world, as well as leading experts.

In this study, we, first of all, will be interested in the possibility of using trust relationships for the formation of productive inter-firm relations, building a system of long-term mutually beneficial contacts, especially when solving the problem of SMEs’ access to investment resources that they need.

With this in mind, the goal of this work is defined as the formation, based on trust relationships, of a model of interaction between small businesses and banks, which makes it easier to obtain borrowed funds. The object of the work is inter-corporate trust, and the subject is the influence of trust on improving relationships between small businesses and banks.

Based on the set goal, the following research logic is adopted in the article. First, the possibilities and features of inter-firm trust are analyzed, then the current state of small business, its characteristics as a borrower, the prevailing volumes of borrowing, and the reasons limiting the growth of lending

¹ The Russian Government. URL: <http://government.ru/docs/23354/> (accessed on 19.10.2020).

² Berezina E. Loan out of access. Rossiyskaya Gazeta. 2016. No 117 (6985). URL: <https://rg.ru/2016/05/31/potrebnost-malogo-i-srednego-biznesa-v-kreditah-uvlichilas.html> (accessed on 19.10.2020).

are considered. Further, the possibilities of establishing interaction between banks and small enterprises based on trust and the formation of a partnership model of relationships are identified, and in conclusion, measures are presented that contribute to the formation of this model and the expansion of trust between SMEs and banks.

The category of trust is studied by specialists in many humanitarian disciplines, including psychology, sociology, economics, cultural studies, political science, neurophysiology, and other disciplines. In this work, we turn to economic views, or rather to the institutional approach to the study of the phenomenon of trust, to which the works of many researchers are devoted (A.L. Zhuravleva, P.J. Zak, D. Kh. Ibragimov, R. La Porta, N. Luhmann, J. F. Helliwell, and others). From this point of view, it is institutions that do not allow agents to deceive each other in economic relations.³ Institutions regulate transaction costs, and the better these mechanisms, the more expensive the fraud; the higher the confidence, the lower the costs. Thus, transaction costs increase with increasing uncertainty and risk, if there is little information about the counterparty, then the cost of verifying its reputation will be required, or insurance of the transaction or hiring of consultants may be required. Another effect is that a rational agent, choosing opportunistic behavior, estimates in advance the consequences of deception, and if the risk of being caught, and the costs are high, he will refrain from such a decision [3, p. 8].

But institutionalism does not take into account some aspects that are important for this analysis, such as reputation or business relationships, so we also turn to the sociological point of view. New economic sociology argues that trust has a network character and is formed in the

social environment [4]. Economic agents carrying out a transaction often know each other, their relationships are personified and woven into a network of social relationships (economic actions are included in social ties). For agents, repetitive actions are important, and, therefore, reputation, the opinion of others about your activities, which form the social capital of the company. According to M. Granovetter [4], here counterparties sacrifice momentary profits for the sake of maintaining proven relationships. The trust is created in the networks of personal connections, but social networks, in turn, do not always work the same way in economic relations, so the possibility of opportunistic behavior remains.

The noted methodological approaches allow us to consider the problem under study from different angles, to pay attention to various aspects of its manifestation.

This work will be useful for bank managers who define the customer relationship model; small business representatives choosing a bank and interested in the terms of attracting borrowed funds; officials who determine the conditions for the development of SMEs; as well as researchers studying theoretical and practical issues of the use of trust in inter-firm relations.

CATEGORY OF TRUST IN ECONOMY

In neoclassical economics, trust as a separate category was not considered and was not taken into account as an independent factor influencing decision-making by economic actors. Interest in the issue of trust emerged in the 1980s last century and is associated with the development of the concept of social capital of the company, presented in the works of J. Coleman, R. Putnam, and the US philosopher, sociologist, and economist F. Fukuyama, who focused on the relationship of this social virtue with welfare [5]. The noted authors drew attention to the fact that trusting relationships are a prerequisite for long-term economic ties, go beyond the

³ In English-language literature, this situation is often described as "institutions matter".

interaction between companies and affect economic relations at the macro level.

In Russia, the economy of trust is in its infancy, which hinders the development of the country, and the low level of trust between the parties is determined, among other things, by the absence of organizational and economic forms organically associated with trust. At the same time, the emergence of various strategic alliances, networks, and other options for cooperation between companies demonstrates that relations are naturally formed in our economy based on considering the interests of the parties, ensuring the loyalty of counterparties, which determines interest, when analyzing this area of economic relations.

The term “trust” in modern management literature has many interpretations, which are presented in detail, for example, in the work of V.L. Tambovtsev [6]. As a rule, such definitions as “risk and uncertainty”, “expectations”, “confidence” [7] or psychological characteristics “reliability”, “honesty”, “benevolence” (referred, for example, by the client to the brand) [8]. Within the framework of this work, we will interpret trust as “the willingness to rely on the exchange partner” [9, p. 315].

In essence, trust is the expectation of one economic entity from the conscious (neo-opportunistic) behavior of another in a situation where the former voluntarily made the achievement of his interests dependent on the actions of the latter. Trust cannot be negotiated or reflected in a contract; it is an informal institution that develops on the basis of the experience of interaction between agents. Trust acts as a tool to compensate for uncertainty, reduce the complexity of the system.

Trust, as an economic category, directly affects the efficiency of the functioning of commercial structures. F. Fukuyama noted that the prevalence of mistrust in society is equal to the introduction of an additional tax on all forms of economic activity, from which societies with a high level of trust are spared

[5]. The presence of trust between partners can significantly reduce the cost of economic activities (in some cases, up to 50% due to the lack of the need for supervision and control [10, p. 83]). The importance of trust as a factor of economic growth was noted by Nobel Prize winners J. Stiglitz and K. Arrow.

The positive influence of intercorporate trust on the efficiency of firms and their competitive advantages has been demonstrated in many works, for example, in [6, 11, 12]. H.-Y. Ha drew attention to the priority value of trust when consumers choose their suppliers [13], and when determining the brand value— M. Mingione, L. Leoni [14]. In the works of N. Høgevold, G. Svensson, M. Roberts-Lombard [15] and D.-S. Yim [16] the critical importance of trust as a basis for the formation of long-term business relationships is noted. The complex of factors that determine public confidence in credit institutions is presented in the work of O.I. Lavrushin, N.E. Sokolinskaya [17].

The development and maintenance of successful long-term relationships of social exchange, the presence of trust of the parties are a prerequisite for mutually beneficial inter-firm contacts, increasing competitiveness, reducing the risk of opportunism, which is especially important in an increasingly dynamic and unpredictable business environment [18]. The importance of trust pushes towards maintaining cooperation with established partners, refraining from entering into short-term alternative cooperation ties. The founders of the theory of trust and commitment in relationship marketing R. Morgan and S. Hunt identified these factors as key elements of the success of partnerships, and the joint presence of a relationship of commitment⁴ and trust, and not just one element, is most conducive to

⁴ Commitment, within the framework of this approach, is “the desire to maintain a valuable relationship” [9, p. 301]. Speaking about the relationship of trust and commitment, it can be characterized by the words of J. O’Shaughnessy [19]: “... trust is the basis of customer commitment”.

increasing the effectiveness of relationships [20]. The factors noted (social exchange, trust, commitment) make it possible to understand why relationships with similar economic results can be perceived by the parties as successful or unpromising.

But it should be borne in mind that in inter-firm relations, in fact, as in interpersonal, it is not the maximum level of trust that is required, but the optimal, along with trust, it is necessary to have healthy distrust, the presence of analysis and control systems to protect against excessive dependence on the counterparty or overestimated expectations [21]. For example, one of the confidence-building tools is the willingness of partners to share information and knowledge. But with such information transparency, it is necessary to remember about the presence of insider information, therefore it is advisable to distinguish between public, confidential, and information available to the limited group of people.

We further consider the possibilities of applying these views to build productive relationships between SMEs as a promising area for the development of domestic entrepreneurship and banks as owners of investment resources that are so necessary for small companies. We start with an analysis of the state of small business and its relationship with the banking sector.

SMEs SITUATION

The Russian government declares special attention to the formation of SMEs in the country, which, in particular, was reflected in the adoption of a national project for the development of SMEs, which implies an increase in the share of such entities in the Russian GDP to 32.5% by 2024. This figure was 22% of GDP, and in 2018 the share of small businesses in the economy even slightly decreased, amounting to 20.2%.⁵

⁵ Rosstat. URL: <https://rosstat.gov.ru/folder/210/document/13223?print=1> (accessed on 20.11.2020).

Small business has been particularly affected by the pandemic since it is largely involved in the provision of services, where the largest decrease in consumer demand was noted (cafes and restaurants, trade, entertainment, recreation, etc.). Therefore, we can expect that the number of SMEs following the results of this crisis will significantly decrease. According to a survey conducted by the Russian Chamber of Commerce and Industry at the end of 2020, the return to the pre-crisis state, according to the respondents, will take more than a year, and the fact that SMEs will not withstand the consequences of coronavirus intervention, according to 78% of the interviewed entrepreneurs and 68% of government officials.⁶

At the same time, the closure of a small enterprise during this difficult period does not always mean its liquidation, it may remain in a mothballed, inactive state and will be ready to “wake up” with the restoration of demand. During the crisis, the state did not leave SMEs without support, a set of financial assistance measures was adopted, tax incentives were provided, but these measures are rather institutional in nature, rather than a form of direct financial participation.

It will be fully possible to see how the steps taken will help small businesses after the end of the pandemic, but since the main trends and, first of all, the position of the state will remain unchanged, the trend of the processes is unlikely to change, and will continue. In this regard, we assess the dynamics of small business development that has been forming in recent years.

According to the Federal Tax Service (FTS) of Russia, the share of small businesses in 2018 was 19.1%, which is one-third more than in 2014 (13.4%).⁷ At the same time, the volume of revenue of small enterprises from 2014 to

⁶ Chamber of Commerce and Industry of the Russian Federation. URL: <https://tpprf.ru/ru/interaction/committee/komrazv/news/383502/> (accessed on 20.11.2020).

⁷ It is calculated as the ratio of the proceeds of small enterprises operating under special tax regimes to the country's GDP.

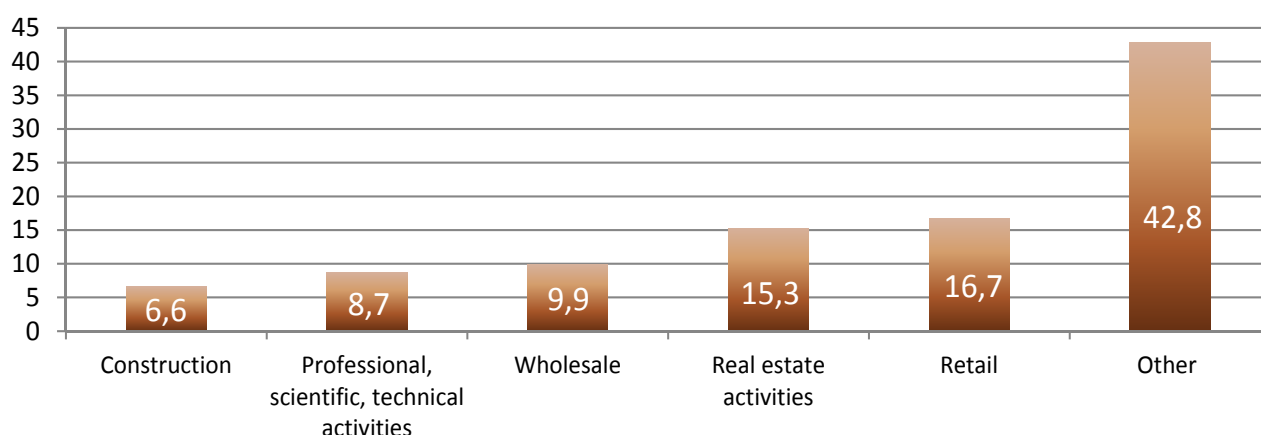


Fig. 1. Distribution of small businesses by industry (%)

Source: Federal Tax Service data.

2018 almost doubled (from 8.6 trillion to 17.0 trillion rubles),⁸ which is significantly higher than the indicators of organizations that do not use STS,⁹ whose revenue (excluding the oil, gas and metals) during the same period grew by only 29%. The share of people employed in the small business sector of the total number of people employed in 2018 was 19%. Small businesses are mainly located in Moscow, the Moscow region, and St. Petersburg. As we can see, the small business occupies a significant share in the country's economy, and its role will inevitably grow, which is the basis for banks to consider it as a promising client and form special procedures for interaction with this category of borrowers.

Speaking about the spheres of activity in which domestic small enterprises operate, we note that, according to the FTS,¹⁰ such areas are wholesale and retail trade, operations with real estate (16.7; 9.9 and 15.3% of receipts according to the STS). Then there are professional, scientific and technological activities, construction, manufacturing industries (another 6–9% of receipts each) (Fig. 1). If we compare these data with the

industry affiliation of borrowers from among small enterprises, then, according to the Expert RA,¹¹ the largest share are occupied by trade companies (46%), followed by manufacturing (12%), financial and insurance activities (12%), construction (6%) and real estate (5%). As we can see, data on the industry affiliation of small enterprises, their profile activity as a whole coincides with the structure of loans issued to them, trade enterprises are the leader.

The peculiarities of SMEs as clients of banks are noted. This category of borrowers is characterized by a small amount of funds with which they work, a small number of transactions, and the absence of significant assets that can be used as collateral for loans. Their financial situation is unstable and significantly depends on the current market conditions, they are very mobile, they easily move from bank to bank, actively use information technologies, resort to online services (chatbot customer service). The complexity of banks' interaction with SMEs is largely determined by the low transparency of the latter. This circumstance increases the risks of breach of contracts and makes it difficult to identify clients in terms of their compliance with AML/CFT requirements.¹²

⁸ Federal Tax Service of Russia. URL: <https://analytic.nalog.ru/portal/index.ru-RU.htm> (accessed on 20.11.2020).

⁹ STS is a simplified taxation system, a tax regime traditionally used by small businesses.

¹⁰ FTS data are interesting as they reflect the activities of operating companies.

¹¹ Expert RA. URL: https://www.raexpert.ru/researches/banks/msb_2019/ (accessed on 20.11.2020).

¹² AML/CFT — Anti-Money Laundering/Combating the Financing of Terrorism.

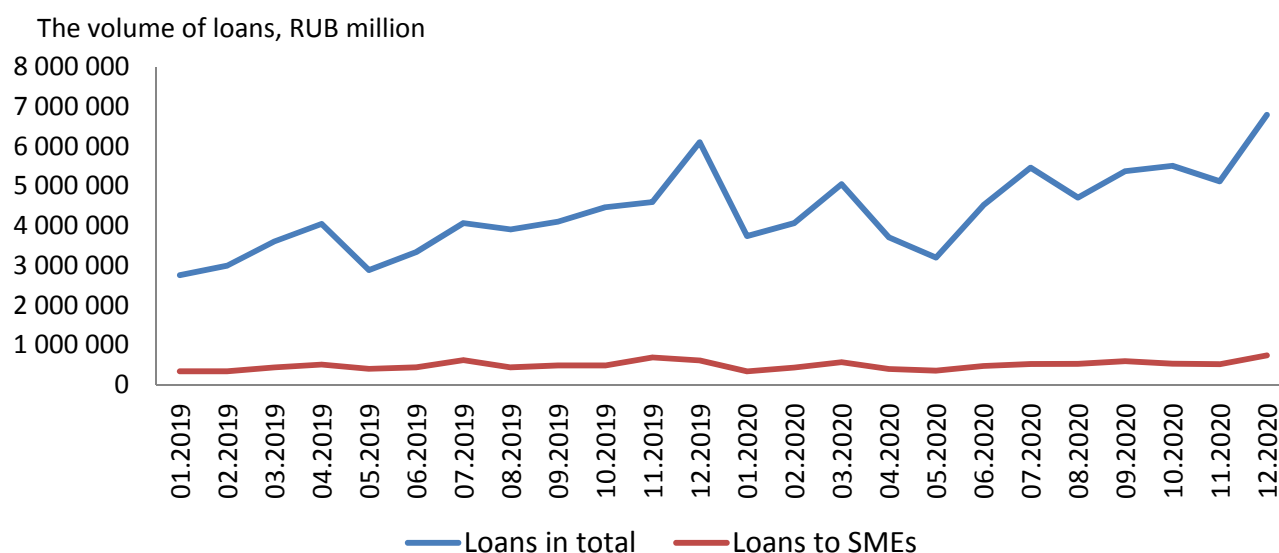


Fig. 2. The volume of loans provided by the 30 largest banks in 2019–2020 to its borrowers

Source: compiled by the author on data from the Central Bank of the RF.

One should also consider the low level of trust between domestic SMEs and banks, which was highlighted in the work of N. E. Egorova, E. A. Koroleva [22]. Although, as shown by the example of Polish companies, researchers K. Jackowicz, Ł. Kozłowski, A. Strucinski [23], the choice of a bank by SMEs is more influenced by trust than by the economy (the cost of transactions).

Next, we will consider how these features affect the relationship between small businesses and banks.

SMEs LENDING

First, there are some statistics on the volume of lending to SMEs by domestic banks. The SMEs lending segment has been one of the fastest-growing in recent years; banks have become significantly more active in this market. So, according to the Central Bank of the Russian Federation, in 2019, SMEs received more loans by 15% than in 2018, while the volume of lending has been growing for the third year.¹⁵ The number of loan agreements with SMEs in 2019 increased by 30% compared to the previous year, while lending to large

businesses remained practically unchanged over the same period (–0.4%). This growth is largely due to the significant expansion of government support programs for SMEs. The volume of loans to SMEs due to state support in 2019 turned out to be 2.5 times more than in 2018 (according to 28 banks surveyed by Expert RA¹⁴). At the same time, the economic difficulties associated with the pandemic suggest that records in the SMEs lending segment remained in 2019.

According to the Central Bank, large banks are the main lenders for SMEs, they determine the dynamics of this market. In 2019, the 30 largest banks by assets accounted for about 80% of loans issued to SMEs, and in 2018 this figure was 74%. As a result, the portfolio of loans to SMEs of these banks in 2019 showed the highest growth since 2011 — by 20.4% and reached 23.6 trillion rubles at the end of the year. At the same time, the volume of lending to SMEs by banks not included in the top 30 in 2019 was 9% less than in 2018, and their loan portfolio decreased by 8%.

The situation in the small business lending market is largely determined by two main

¹⁵ Central Bank of Russia. URL: https://cbr.ru/statistics/bank_sector/sors/ (accessed on 20.11.2020).

¹⁴ Expert RA. URL: https://www.raexpert.ru/researches/banks/msb_2019/ (accessed on 20.11.2020).

Table 1

**Assessment by small enterprises of factors limiting investment activity
(% of the total number of organizations)**

Reasons not to invest	2017	2018
Uncertainty of the economic situation in the country	42	61
High inflation rate in the country	38	58
High interest rate on commercial loans	41	54
Lack of own financial resources	44	49
Complicated process for obtaining loans	35	48
Investment risks	31	47
Imperfect legal and regulatory framework governing investment processes	21	35
Insufficient demand for products	23	27

Source: Rosstat data. URL: https://rosstat.gov.ru/bgd/regl/b19_47/Main.htm (accessed on 20.11.2020).

players — Sberbank and VTB. They increased the debt of SMEs by the end of 2019 by 32% and 31%, respectively. What about the rest of the banks? The portfolio of SMEs loans of other banks, excluding the noted leaders, decreased by 2% in 2019. Moscow remains the main region for issuing loans to SMEs, and in 2019 the growth rate in the capital was 39%, as a result, in 2019, Moscow accounted for 29% of loans issued against 24% in 2018.

To assess the importance of SMEs for banks, we consider the share of loans received by them in the total volume of funds issued by the 30 largest domestic banks (and they, as already noted, are the main lenders to SMEs). According to the Central Bank of the Russian Federation,¹⁵ SMEs account for only 10–12% of all resources issued by these banks (12% at the beginning of 2019 and 11% at the end of 2020). This proportion did not change significantly during the pandemic. At the same time, taking into account the overall growth of the loan portfolio, the amount of loans to small and

medium-sized businesses more than doubled over this period from 335 billion to 735 billion rubles. The dynamics of lending to SMEs and other borrowers in the period under review are shown in *Fig.2*.

When discussing the topic of credit and investment support for SMEs (necessary for any growing company), the question arises — what reasons, from the point of view of SMEs, limit the investment activities of small businesses? The answer to the question is presented in *Table 1*, which shows the main arguments in favor of refusing to invest, as well as the proportion of enterprises that chose the appropriate justification.

We have analyzed the answers. In 2019–2020 in Russia, inflation, as well as the rate of attracting credit resources, significantly decreased compared to 2017–2018. (so, in 2020, the key rate fell to 4.25% per annum). That is, the factors that determined answers No. 2 and partly No. 3 were largely leveled out. Then, if we do not take into account the vague reason No. 1 (*the uncertainty of the economic situation in the country*), we can say that the main factor of refusal from investments

¹⁵ Central Bank of Russia. URL: https://cbr.ru/statistics/bank_sector/sors/ (accessed on 20.12.2020).

Table 2

Hierarchy of customer-bank relationships

Dominant trait	Typical customer statements
Passion	<ul style="list-style-type: none"> • I can't imagine the world without this company • Perfect company for people like me
Pride	<ul style="list-style-type: none"> • Treat me with respect • Proud to be a client
Honesty	<ul style="list-style-type: none"> • Honest problem-solving • Always treat me fairly
Trust	<ul style="list-style-type: none"> • Everything is done as promised • A name (reputation) that I can always trust
Rational satisfaction	<ul style="list-style-type: none"> • Relationship satisfaction • Likely to continue cooperation • Likely to recommend

Source: compiled by the author on [25].

remains No. 5 (*a complicated process for obtaining loans*) since answer No. 4 (*lack of own financial resources*) is its consequence. It is interesting that factor No. 8 (*insufficient demand for products*) is in the last place among the restrictions, from which we can conclude that the growth of investment is limited not so much by the lack of demand, as is usually the case, but by organizational reasons.

In this case, the establishment of relationships between banks and SMEs (reducing cause No. 5) will have an integrated effect. We consider possible ways of addressing this problem.

PARTNERSHIP MODEL OF INTERACTION OF A BANK WITH CLIENTS – SMEs

The aforementioned trends in the development of SMEs, government support, and foreign experience make this category of clients very promising for banks. Moreover, the profitability of banks in the retail business is declining, and it is difficult to attract new large clients since they rarely change their location.

In this regard, the question arises of how to build effective interaction with designated customers, what model of relationships should be followed? The answer to it has

several aspects and is associated, in particular, with identifying factors that are mutually beneficial for the parties and allow building partnerships.¹⁶

We consider in this connection the product and customer-oriented models of the retail bank's activities as the most common operating technologies. In the product (transactional) model, the central element is a financial product (service) or transaction (operation). This approach is largely focused on increasing sales of individual products (or cross-selling of priority products), increasing the number of transactions.

The client-oriented model of a credit institution, to which it switches after the creation and/or exhaustion of the previous model, is more focused on the client (his needs), on the maximum number of serviced persons, and an increase in the number of products to the counterparty. The main feature here is the approach to clients, the quality and availability of banking services, the establishment of relationships with

¹⁶ We suggest thinking of the partnership in business as "... a form of business activity aimed at interacting with other entities in the process of pursuing business interests of the participants in the framework of their joint economic activities" [24, p. 38].

Table 3

Hierarchy of customer perception of the bank

Nature of perception	Manifestations
Strategic relevance	<ul style="list-style-type: none"> Relationship with the bank helps the client to fulfill his dream, to get closer to his goals
Status and respect	<ul style="list-style-type: none"> The client is proud of the relationship, even when he does not interact with the bank, speaks about the benefits of this relationship Feels a boost in status when using a bank card or talking about her relationship with the bank Feels good when thinking about the relationship with the bank
Commitment	<ul style="list-style-type: none"> The bank adequately interacts with various groups of clients Sincere friendliness in interaction, the team is interested in establishing mutually beneficial contacts Creation of a club atmosphere, clients can take part in events of interest to the same clients
Trust and security	<ul style="list-style-type: none"> The bank is perceived as a trustworthy and reliable partner, it is impartial and will act in the best interests of the client
Compliance (expectations)	<ul style="list-style-type: none"> Willingness to contact the bank in addition to purchasing or using a particular banking product. Providing planning or financing advice to clients

Source: compiled by the author on [26].

counterparties, awareness of their needs and capabilities. In this model, there is a transition from offering several standardized and not strongly related services, as in the previous model, to the formation of individual “packages” focused on the client’s needs.

As you can see, the model of the bank’s interaction with clients is being transformed towards the more active building of long-term partnerships, expanding the range of services provided, considering individual requests and characteristics of the client. The tendencies for expanding cooperation, increasing customer loyalty correspond to the partnership model of interaction. In this regard, we will comment on its content when organizing work with SMEs.

Since, as has been shown, loans to SMEs account for just over 11% of the portfolio of even the 30 largest banks, which are the main lenders of SMEs, it can be concluded that small volumes of loans do not allow receiving significant income, but there are more such

clients than large players. In such a situation, commissions (settlement services, payment instruments) and earnings on accounts can become the main source of income from banking services when working with SMEs. Lending is becoming a tool for attracting new customers, which allows us to offer other banking services in the future. The bank’s task is not so much to make money on a loan but to establish long-term inter-firm cooperation in order to generate income from settlement and cash services and non-banking services.

According to Denis Osin, Small and Microbusiness Director of Alfa-Bank, the share of this block in the bank’s operating profit was 11% in 2017, about 20% in 2018, and already 27% in 2019.¹⁷

The question arises: how to establish such mutually beneficial long-term cooperation? We turn to the previously noted work of

¹⁷ Builov M. Business for SMEs. Kommersant newspaper No.36. 28.02.2020, p. 10. URL: <https://www.kommersant.ru/doc/4269650> (accessed on 20.11.2020).

Table 4

Possible consequences of the bank's adoption of the partner model

Positive	Negative
<ul style="list-style-type: none"> • rising the bank's reputation and expanding business ties; • attracting new clients; • decreasing the number of bad loans (overdue debt); • reducing the cost of organizing the issuance of a loan and control of the Borrower; • prospects for growth of profits from banking services in the future; • additional income from the provision of non-core services 	<ul style="list-style-type: none"> • the need to adapt business processes to the tasks of building trust relationships and organizing a partner network; • making investments in the creation and maintenance of the network and the possible risk of their loss

Source: compiled by the author.

R. Morgan and S. Hunt [20]. According to their views, the presence of trust and commitment between the parties has a direct impact on the development of partnerships. These factors are the main prerequisite for the success of the partnership strategy, in fact, as well as the main indicator of the strength of the relationship.

It is the trust that is the main element of building long-term relationships between the bank and the client. We try to substantiate this thesis, and for this, we will consider the options for the client's perception of a retail bank as a partner. Table 2 shows the hierarchy of relationships (feelings) that a customer experiences towards the bank (based on the survey data presented by the business journal Gallup [25]). The bottom line contains the initial connection level, then moves up to the top line where the ideal position is set.

Table 3 shows the options for a client's perception of his bank as a business partner. They are also ranked from bottom to top, from initial state to maximum location (data from the consulting company Senteo [26]).

As can be seen, the level of customer attitude to the bank can vary significantly: from an elementary desire to continue cooperation to pride in their involvement in the business. Trust in both surveys is classified as basic in the hierarchy of customer-bank relationships, although not at the primary level. If the client was able to make sure of

the competence, reliability, predictability of the bank, then the process of building trust goes into the stage of closer interaction. Further, as the experience of communication and interpersonal interaction is accumulated, relations either develop or are inhibited. If the trust meets the expectations of the parties, there is a recognition of common values and interests.

Interfirm relations are a social resource of the bank used to address economic and social problems. Such a network resource becomes capital when investment in relationships leads to the growth of other types of capital, primarily economic. Since the ultimate goal of the bank is to achieve sustainable financial performance, it will strive to create an effective and long-term system for obtaining added value based on trust and commitment to relationships on the part of customers, including them in its partner network.¹⁸ As part of the partnership, the bank is interested in extending the "Lifetime Value" (LTV¹⁹) of a small entrepreneur. If owing to the bank, an entrepreneur expands his business, this will increase his loyalty, increase his turnover, the funds he keeps in the bank, and services he may need.

However, the relationship between a bank and a borrower, a SME within the framework

¹⁸ We suggest thinking of the network as "a group of independent economic agents interconnected by relations of trust, the benefits of cooperation, long-term and stable cooperation and informational ties" [27, p. 101].

¹⁹ LTV — Lifetime Value.

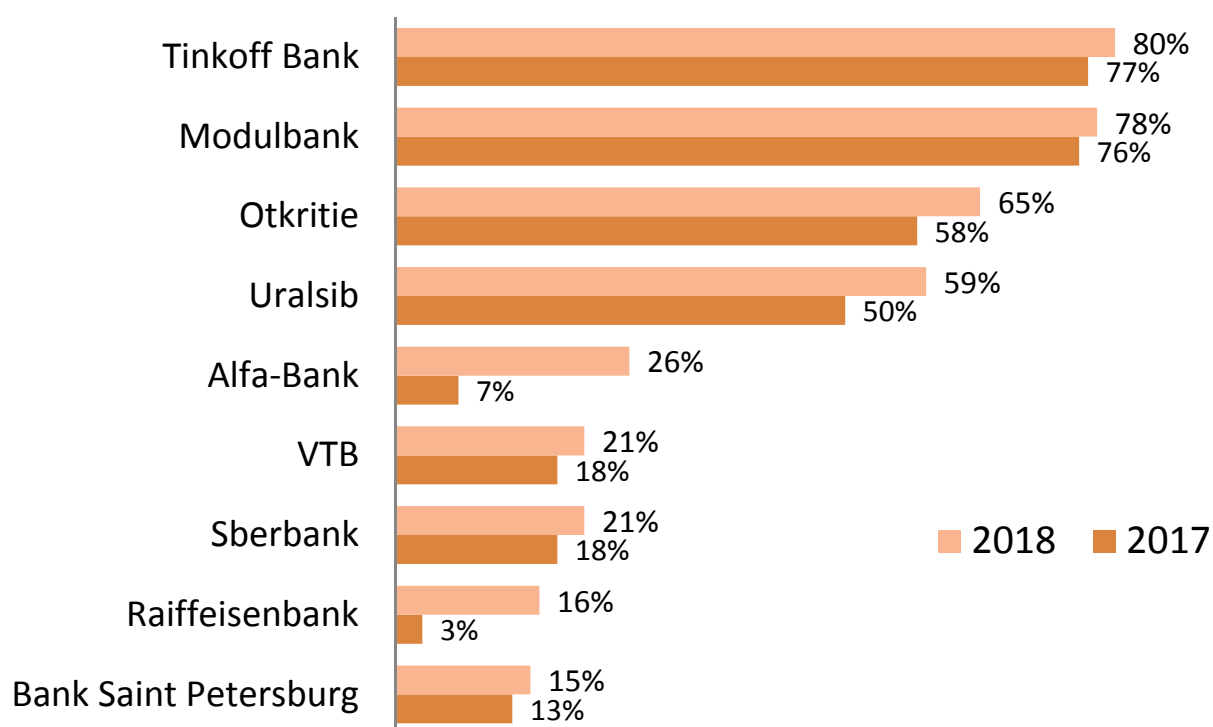


Fig. 3. Share of fee and commission income in the total revenue of a number of banks in 2017 and 2018

Source: Frank RG data. URL: <https://frankrg.com/5463> (accessed on 20.11.2020).

of the model under consideration, can hardly be called equal. The bank is the dominant element of this network, determining the rules for its development and internal interaction. It is clear that the bank has the strongest positions here, the company applies to the bank for a loan, and not vice versa. By changing the terms of borrowing, the bank can make them more or less interesting for the borrower, change the terms of service, and the latter is determined in his requests to the bank. At the same time, the client can “vote with his feet”, refuse the services of the bank, which will weaken the partner network and the investments made in it. SMEs, as already noted, are quite mobile, they easily change banks, and the presence of trusting relationships is an argument in favor of retaining them and building long-term relationships.

Summarizing what has been said, we identify the possible pros and cons for a bank for building partnerships (Table 4).

Considering the circumstances noted, we will further consider the organizational decisions that the bank should make in order to establish a full-fledged partnership model, interaction with small businesses, and ensuring the trust of the parties.

ORGANIZATIONAL MEASURES TO ENSURE CONFIDENCE IN THE PARTNERSHIP MODEL

In recent years, banks have been actively developing services that allow customers to receive a set of necessary services, including non-banking ones, in one place. The way they are presented and offered by banks is evolving from a showcase with partner products to a single platform and further to a set of services, network partnerships, and business ecosystems. Today, due to the growing interest in cooperative ties,²⁰ the banking sector is

²⁰ The growing popularity of cooperative ties is largely due to the development of digital technologies that increase the speed, reach, convenience, efficiency, and scalability of business systems.

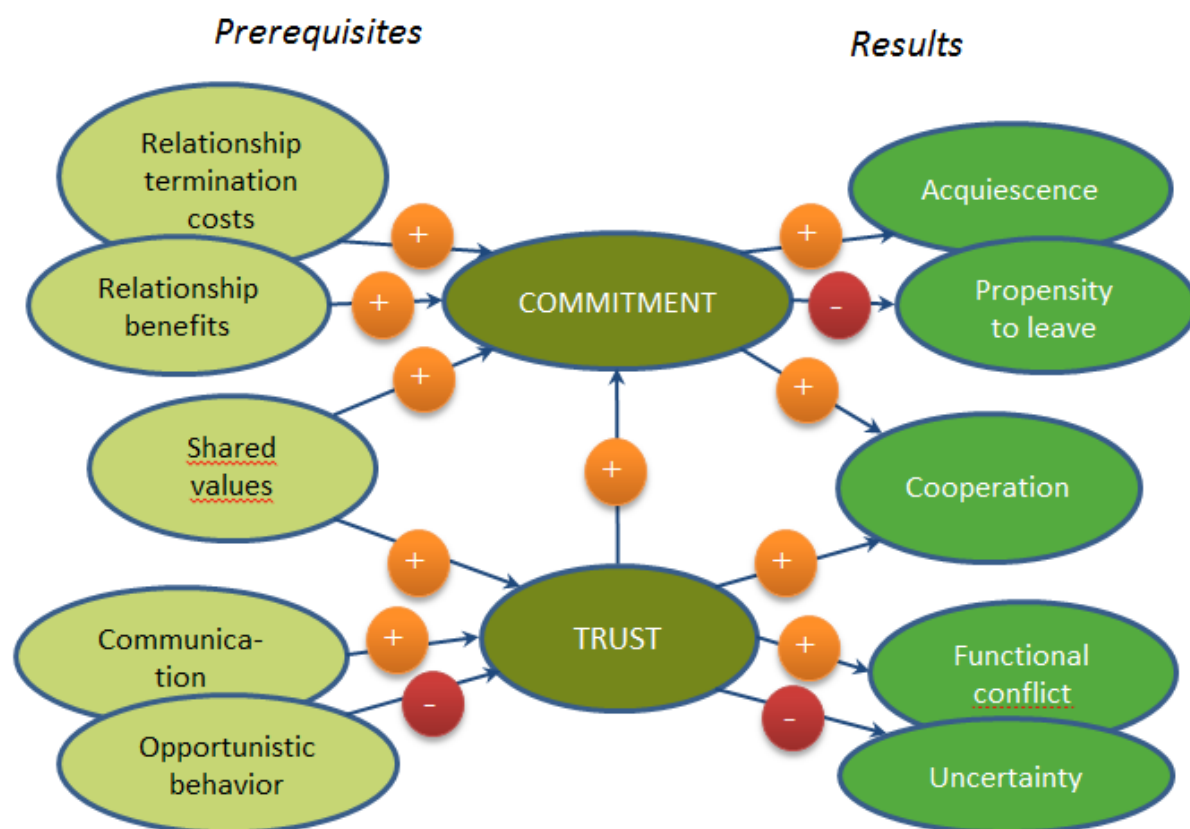


Fig. 4. Commitment and trust: Prerequisites for the appearance and nature of manifestation

Source: [20].

paying close attention to creating ecosystems around its own brands. Similar actions were taken by Sberbank, Tinkoff Bank, Alfa-Bank, VTB, and a number of other companies.²¹

There is no common understanding of what the banking ecosystem is yet; different authors put their own interpretations into this. For example, Oliver Hughes, Chairman of the Management Board of Tinkoff Bank, gives the following practical definition: “An ecosystem is about modern technology, a unified brand, data usage, fast scaling of services and lower acquisition costs through the ecosystem. effect and scale. There are many services, and not only in one area” [28].²²

²¹ A detailed analysis of the current state of the ecosystem form of management of the financial sector in Russia is presented in [29].

²² The author is referring to the definition proposed by the BCG Henderson Institute, “a business ecosystem is a dynamic group of largely independent economic players that create products or services that together constitute a coherent solution” [30].

Individual banks have already adapted their ecosystems for the SME segment. Thus, according to the analytical company Frank RG, in 2018 SMEs purchased non-financial services through banks for 20–25 billion rubles. Fee income from additional business services not related to traditional banking products can be a significant source of income for banks. Thus, the share of fee and commission income in revenue in 2018 was 80% for Tinkoff Bank, 78% for Modulbank, and 65% for Otkritie (Fig. 3).

How can a bank attract small businesses to its community (ecosystem)? Obviously, it should provide a demanded and competitive

This definition implies that an ecosystem has a specific value proposition and a specific, albeit changing, group of actors with their own roles. But, since the study of banking business systems is not the subject of this article, we will restrict ourselves to the point of view stated above.

range of banking and non-banking services.²³ If the technology of working with financial services is quite traditional and was touched upon in the previous section, then the provision of non-banking services has no such history. In this regard, we will consider what services a SME needs today.

SMEs face many challenges every day. Some of them are important for the development of a company, running a business, others, for example, administrative or service ones, only support the main business, but this does not become less important. The company must ensure that all processes, both primary and secondary, are carried out at a high level. Otherwise, lags, for example, in the work of the accounting department, warehouse, information systems will slow down the work of the entire company. But small businesses, as a rule, are significantly limited in material, financial, time, or human resources, they are focused on the implementation of their business ideas, here are their priorities. In this regard, it is challenging for small companies to ensure high-quality execution of non-core processes. If we invest limited resources, then in the deployment of the main activity. Therefore, they are objectively interested in outsourcing part of their non-core functions to specialized performers who ensure high-quality and inexpensive execution of supporting processes.

In this case, if the bank can provide SMEs with a set of relevant non-banking services,²⁴ provided at a competitive level (quality, price, terms), for example, within the framework of a “package” offer, then customers will have

additional incentives to establish interaction, connect to a partner network of the bank. As an example, we note Sberbank, which offers start-up entrepreneurs the “Own Business” service, which includes an expanded set of non-financial services: from a personal lawyer to a customer relationship management system (CRM) and website development.²⁵

We dwell in more detail on the methods of forming the client’s trust in the bank, since, as shown, the presence of trust ensures the transition from formal one-time contacts to partnerships, greater informational openness, and stability of relations [32]. We also note that in business models that use a systemic trust,²⁶ as opposed to models based on personal trust (one-to-one communication), the level of trust is usually slightly lower. Thus, in the work of S. Gruber [33], using Airbnb²⁷ as an example, it is shown that digital tools that form systemic trust (certificates, ratings, and reviews) cannot replace personal communication between partners, personal contacts form deeper connections than the model of an impersonal system. Therefore, when building trust in the bank’s ecosystem, it is necessary to ensure productive personal contacts.

Trust cannot be built only through advertising, it is created by everyday actions, teamwork and the speed of its formation depends on the quality of interaction multiplied by the frequency of contacts. Customer confidence is 40% formed by their current impressions of the service received [34]. In this regard, the bank, as the initiator of the creation of the network, must have the competencies, organizational abilities to manage relationships and their development, for example, by adapting its processes to

²³ When providing clients with non-financial services, banks use one of the following strategies: non-banking services under their own brand; non-bank offers from partners; mixed policy (services under its own brand and discounts from partners).

²⁴ These most popular works, based on their modularity, include legal support, accounting, obtaining licenses and patents, information support, which is commented in detail in [31]. And, for example, trade enterprises, as the most common type of small business, are interested in services in the field of warehouse accounting and logistics, procurement management.

²⁵ Sberbank. URL: https://www.sberbank.ru/ru/s_m_business (accessed on 20.11.2020).

²⁶ By systemic trust in the context of N. Luhmann’s views, we mean impersonal trust in the system itself and its institutions, for example, in information technologies or communication platforms formed on their basis.

²⁷ Airbnb is an online platform for listing, finding, and short-term rentals of private homes around the world.

the tasks of creating trust or making special investments.

The basic element of trust is the exact fulfillment of a promise, responsibility for one's actions. The components of trust are also: conscientious and competent attitude towards clients, which forms the bank's business reputation; information transparency; communication outside of a business (personal relationships); common goals; partner reliability and honesty.²⁸

Morgan and Hunt, in their now-classic work [20], identified five traditional input factors that influence the formation of inter-firm trust and commitment. These prerequisites are the level of possible costs from the termination of the relationship; potential benefit from the relationship; the presence of common values among partners; the level of communication between the parties; and the lack of evidence of opportunistic behavior. These parameters form the level of trust of the parties and determine the degree of partners' commitment to maintaining the relationship. The task of the bank as the initiator of the partner network is the correct use of the noted conditions, which make it possible to form the necessary level of relationships.

In turn, trust and commitment translate into five practical aspects that make long-term relationships productive. These include acquiescence, lack of propensity to leave, willingness to cooperate, attitude to possible conflicts (commitment to the constructive resolution of disputes), reducing the uncertainty of a partner's actions. The relationship between these parameters is shown in *Fig. 4*.

One of the practical mechanisms for increasing the level of inter-firm trust is the establishment of information and reference support for SMEs from the bank. This service allows you to increase the level of communication between the parties, as

a result of which a positive experience of cooperation is accumulated, shared values are formed and added value is created. A similar package is provided, for example, by the SME Corporation with the software product "SME Business Navigator",²⁹ and in the work of N.E. Egorova, E.A. Koroleva [35] substantiates the use of an extended system of adaptive credit and investment consulting for these purposes.

Summarizing what has been said, we note that the establishment of a full-fledged functioning of the partnership model of interaction between SMEs and banks will allow both parties to solve important tasks: the first is to facilitate fundraising and post-crisis recovery, and the second is to build up the client network and generate additional income.

CONCLUSIONS

The theoretical and methodological significance of the study lies in the use of an integrated approach that combines, on the one hand, institutional and sociological views on the phenomenon of trust, and on the other, an analysis of the problems of banks' relationships with their customers — SMEs. The role of inter-firm trust in establishing mutually beneficial contacts between the parties has been identified and shown, the effectiveness of using a trusted partnership model of interaction has been substantiated, which makes it possible to activate investment processes in small businesses and support its development.

Within the framework of traditional relationships, small business is not a particularly desirable client for a bank, since loan amounts are small, collateral opportunities are limited, and information transparency is low. The transition to a partnership model helps to correct the situation. The formation of a partner

²⁸ Other circumstances forming a partnership are discussed in *Tables 2 and 3*.

²⁹ Information Resources Portal. URL: <https://smbn.ru/> (accessed on 20.11.2020).

network by a bank, for example, by the type of ecosystem, allows not only to expand the client base, earn on commissions but also to form long-term relationships. A key element of this format of relations is building trust between the parties, for which the bank's personnel will have to master the technology of forming a partner environment, gaining trust, including through extended contacts within the ecosystem. This will not only improve the reputation and business relationships of the bank but also reduce the cost of services for participants by increasing

transparency and reducing transaction costs. SMEs, having become a client of such a partner network, gets access to lending on preferential terms already as partners, as well as to a set of relevant additional services.

Thus, the practical significance of the work is determined by the fact that the use of the proposed version of the partnership model by banks will activate credit and investment processes and increase the level of mutual trust, which is especially important for SMEs in the post-recovery of demand after the pandemic.

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ABOUT THE AUTHOR



Dmitrii A. Zhdanov — Dr. Sci. (Econ.), Leading Researcher, Central Economics and Mathematics Institute, RAS, Moscow, Russia; Professor, Department of Corporate Governance, Faculty “Graduate School of Corporate Management”, Russian Presidential Academy of National Economy and Public Administration, Moscow, Russia
 djhdanov@mail.ru

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