Promoting Innovative SMEs in APEC

Purpose: Information
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Why innovation?

Innovation is essential component of the economic growth process, where it can be broadly defined as the development, deployment and economic utilisation of new products, processes and services (OECD, 2001b).
BUT Innovative SMEs are:

• Asymmetric in information
• Skewed in returns
• Intangible in assessment
• Uncertain in assets
• Unsuitable for debt financing
• Highly unpredictable
• Risky

Innovative SMEs have high potential for growth and profits

Objectives for the research

• Collecting data on innovative SMEs
• Evaluation of difficulties faced by innovative SMEs in APEC
  – Financing challenges
  – Regulatory practices
• Recommendations
Data collection

- Share of firms introducing new technologically improved products or processes on the market
- Funding of business R&D by firm size
- Access to finance
- Innovation oriented equity programmes
- Innovation oriented loan guarantee schemes

Financing challenges

- Financing life cycle of innovative SME
- Traditional SMEs versus innovative SMEs
- Financing Gaps for Innovative SMEs
  - Access to seed financing
  - Access to equity capital
  - Access to loans
Regulatory Practices

- Investment Regulations
- Government Equity Programmes
- Business Angel Networks (BANs)
- Direct loan programmes & Loan guarantee programmes
- Schemes to pool risks
- The Role of the Tax System
- Export Credit Schemes

Recommendations on promoting innovative SMEs

- Concentrate policies for promoting availability of risk capital to innovative SMEs mainly on early stages of the financing of the firm
- Recognise the need for proximity between suppliers of funds and those who require finance
- Increase the managerial and technical expertise of intermediaries whose role is to evaluate and monitor companies
- Facilitate international transfer of institutional infrastructure and expertise.
- Review regulations with a view to reducing, easing or eliminating restrictions and barriers to investment in risk capital
- Encourage innovative SMEs to recognize, measure, and report intangible assets more reliably valued by capital markets and investors.