

Small business in Russia in modern conditions

Korsakov Kirill Evgenyevich

Undergraduate

Southern Federal University

Abstract. The problem of small business development in the current situation, taking into account the restrictions associated with the coronavirus pandemics, is of particular economic, social and public importance. The paper examines a number of problems and negative trends in the development of small businesses and formulates proposals for the development of a specific mechanism for supporting small businesses in modern Russia. To achieve this goal, we briefly describe the institutional characteristics of small business as a special form of entrepreneurial activity, identify the features of development, individual factors that stimulate and hinder small business, as well as the forms and prospects of state support for small businesses.

Keywords: entrepreneurship, economy of small businesses, business support, development strategies, business promotion policies, interaction between business and government, pandemic

The share of small business (hereinafter - SB) in Russia's GDP is now only 22.3% [1], and by 2024 it should increase by 17.7%. For comparison: the share of such business in the US GDP is 52%, EU - 67%, Japan - 55% [2].

Meanwhile, SB plays a significant role in the development of the economy of any state. It has a serious potential for saturating the market with high quality goods, creating jobs and providing employment for the population, increasing the turnover of funds, but also affects the growth of scientific and economic progress. This, of course, makes it possible to solve a number of topical economic, social and even psychological problems of society, contributes to the positive development and formation of the state, providing persistent and stable positions within the country and in world rankings.

The development of small business in the current situation is acquiring special economic, social and public significance. To date, there is no doubt that the support and protection of SB is the most important priority task facing the state and society, which involves defining the characteristics of SB, its specific features as a type of entrepreneurship, the specifics of functioning, defining the priority tasks of its development and support as legal, and by economic means.

As Khuzhin A.M. rightly notes, "viable mechanisms" are required for the development of SB, elements of business protection, self-sufficient levers for regulating subjects from external sanctions, stability and guarantee of contractual relations, additional mechanisms for protecting

property rights, stimulators for the development of the service sector and a number of other legal provisions that meet the modern challenges of the economic development of the state [6].

SB is indeed affected by a number of negative factors. Let's designate some of them. For example, in the opinion of a number of experts, significant concerns for SB are caused by the active participation of the state in the economy, which affects competitive relations.

The development of SB is harmed by the so-called economic terrorism, which is defined as a special kind of violent influence on society with the aim of destabilizing it. The ideology of economic terrorism includes various ideological concepts of the destructive nature of the impact on the economy to undermine the economic basis of the state by intimidating the business elite, socially active groups of entrepreneurs in order to achieve specific economic or political goals or make profitable decisions [5].

An equally urgent problem is the instability of tax legislation, which acts as a destabilizing factor for SB, reducing the possibility of stable and rational work. Even with the improvement of taxation conditions for SB, this necessitates constant monitoring of changes and making adjustments to business plans, which causes additional costs, and the constant expectation of such changes impedes the implementation of long-term projects due to the low predictability of tax costs when developing business plans.

It becomes obvious that comprehensive measures are needed that provide real support, affecting SB, which implies an increased interest of specialists in various fields of economics and law in the title issue.

The purpose of the study is to formulate, on the basis of the analysis of scientific and practical literature, one's own view of the trends in the formation and the specifics of the functioning of SB in modern Russia. To achieve this goal, the institutional characteristics of SB as a special form of entrepreneurial activity are briefly given, the features of development, certain factors that stimulate and inhibit SB, as well as the forms and prospects of state support for SB are identified.

A serious contribution to the study of the issues of the formation of SB was made by Agapova E.V., Belyaeva O.A., Boyko I.P., Bukhvald E.M., Vilensky A.V., Grishina E.P., Guseva T.A., Letashova I.S., Kovalenko S.V., Pleshanova O.P., Messengisser M., Minvaeva M.S., Khramtsov A.B. and others, whose works were the theoretical basis of the study.

The normative basis for the work was the Federal Law № 209-FZ of 24.07.2007 (as amended on October 27, 2020) "On the Development of Small and Medium-Sized Businesses in the Russian Federation" (hereinafter - Law № 209-FZ), Passport of the national project "Small and medium-sized entrepreneurship and support for individual entrepreneurial initiative", approved by the Council under the President of Russia for Strategic Development and National Projects,

Resolution of the Government of the Russian Federation of December 30, 2018 № 1764 "On Approval of the Rules for Granting Subsidies from the Federal Budget to Russian Credit Institutions for Reimbursement of Lost Income on Loans, issued in 2019 - 2024 to small and medium-sized businesses at a preferential rate."

Small business concept and criteria

SB as a concept has no legislative definition. Specialists in the field of economics and law use it along with the concepts of "medium business" and "large business". In the normative legal acts, the categories "small business" and "small business entity" are fixed, which have replaced the concept of "small business" (introduced into circulation by legislative acts of the 90s).

In modern legislation, the concepts of small and medium-sized businesses are often combined into one category in the context of the benefits and incentives provided, however, the differences in the qualitative parameters of these entities are obvious.

It seems reasonable to understand SB as a type of entrepreneurial activity carried out by subjects of economic relations under certain criteria established by regulatory legal acts. The general criteria for classifying business entities as SB are: the number of personnel; the size of the authorized capital; the amount of assets; the volume of turnover (profit, income).

The variety of criteria for classifying business entities as SB in different countries is associated with the peculiarities of the political structure, the structure of the economy, as well as the attitude of the state to the role of SB in the economy and production, which cannot but affect the share of small enterprises in the general economic complex of states. In most modern states, the determining criterion for SB is the number of employees for the reporting period.

In the Russian Federation, an SB subject must meet three main characteristics:

- the limiting value of the average number of employees for the previous calendar year - up to one hundred people for small enterprises (among small enterprises, micro-enterprises stand out - up to fifteen people);
- limit values of income received from entrepreneurial activity for the previous calendar year, determined in accordance with the procedure established by the legislation of the Russian Federation on taxes and fees, summed up for all types of activities and applied under all tax regimes, micro-enterprises - 120 million rubles; small businesses - 800 million rubles;
- limitation of the total share of participation in the capital - no more than 25% of shares in the authorized capital of a limited liability company or the joint capital of an economic partnership, or not more than twenty-five percent of the voting shares of a joint-stock company.

In accordance with Part 1 of Art. 4 of Law № 209-FZ, SB subjects can have different organizational and legal forms: business companies, business partnerships, business fellowships,

production cooperatives, consumer cooperatives, peasant (farm) enterprises and individual entrepreneurs.

The range of activities for SB is quite large and covers many sectors of the economy. Among the exceptions are areas of activity that, for one reason or another, are prohibited by law or belong to strategic sectors of the economy.

Small business functions

Based on the experience of Russia and foreign countries, it can be argued that the effectiveness of SB subjects is the most important factor in the successful solution of the following problems: the formation of competitive economic relations that contribute to meeting the needs of the population and society in certain services, expanding their range and improving the quality; their approximation to specific consumers; promoting the modernization of the structure of the economy, since SB makes the economy flexible and mobile; attracting private funds for the development of a particular business, since a partnership in SB is characterized by a greater interest of partners in investing private capital in an enterprise); creating additional jobs, reducing the unemployment rate; more effective use of people's entrepreneurial abilities; involvement in labor activity of certain groups of the population for whom work in large-scale production has certain restrictions (housewives, pensioners, students); intensification of scientific and technological progress in various spheres of the economy; development and use of local resources (economic, labor, financial); and much more.

SB, as noted above, not only increases the country's GDP, but also performs important functions, for example, generates innovative activity, which is achieved through the rapid introduction of innovations into production and management. This is confirmed by the latest statistics. Thus, small enterprises in the United States introduce 2.5 times more innovations than large businesses [4]. In the Russian economy, unfortunately, the innovative character of small business is still quite weak. According to studies of the entrepreneurial potential of Russia, it turned out that the majority of start-up businessmen (60-70%), regardless of the stage of their business development, offer or will offer a product (service) that is not new to anyone.

Summarizing the available research in the field of SB functions, we believe it is possible, with all the variety of such, to systematize them into 5 groups: 1. general economic functions determined by the economic role of SB, since the activities of small businesses are aimed at meeting the needs of society and determine the conditions for economic growth; 2. social, due to the fact that the efficiency of small business entities directly affects the amount of funds received in budgetary and non-budgetary funds, the growth in the number of jobs, etc. 3. resource, the allocation of which is dictated by the special purpose of the activities of small businesses - maximizing profits in conditions of limited resources. In this regard, for each subject of SB, it is

relevant to search for the optimal ratio of production factors that ensure minimum costs and maximum profit; 4. organizational, due to the connection of SB with the formation of an economic unit, with the creation of an entrepreneurial structure, the processes of reorganization, expansion or liquidation of a business; 5. innovative, predetermined by the risky innovative nature of the activities of small businesses.

These functions of SB place its development among the most important state tasks, make it an integral part of reforming the Russian economy as a whole.

Features of small business development in Russia

As the experience of modern states shows, technical progress and the fullest possible satisfaction of the needs of society are determined in many respects by the effectiveness of the work of SB subjects. This is due to the fact that SB, "ideally" ensuring the efficiency of innovation, mobility of technological changes, competition, as well as the rapid growth of the service sector and employment, creates a situation in which prices fall, the consumer receives high quality services, and the amount of tax revenues growing.

In the Russian Federation, unfortunately, there are a number of negative factors that hinder the progressive development of SB. First of all, we are talking about a complex and unstable economic and financial situation, characterized by high inflation, slow establishment of new economic ties, low payment discipline, high interest rates, and weak legal protection of small businesses.

The low level of organizational, economic and legal knowledge of entrepreneurs, the lack of proper business ethics, economic culture both in business and in the public sector does not contribute to the development of SB.

It is also worth noting the inconsistency, ineffectiveness of the organizational and legal framework for regulating SB at the level of the constituent entities of the Russian Federation and in municipalities.

The development of SB in Russia is hampered by the lack of a coherent, clear economic and legal policy in the field of small business, the fragmentation of measures of state support for SB subjects, the complexity and lack of transparency of state control, and the instability of the legislative framework.

And, finally, one cannot fail to draw attention to the negative attitude of a certain part of the population towards SB, which often considers entrepreneurship as a scam, deception, profit from the needs of the population.

The difficult situation that has developed in 2019-2020 in the economy of not only Russia, but also other states, negatively affects SB in all directions. Academic economists, financiers and lawyers, as well as the subjects of the SB, note that the level of inflation and rising prices in all

spheres of the economy put many enterprises in this sector on the brink of bankruptcy. Among them, first of all, enterprises operating in the production of domestic goods and household services for the population, consuming raw materials, materials, the cost of which is constantly growing. The tax press is putting pressure on manufacturing enterprises in the small business sector.

A feature of Russian small business continues to be its high "shadowization". According to various estimates, from 30% to 50% of the real turnover of SB subjects evades taxes for a variety of reasons. In this situation, not only is the tax base shrinking, but the state also loses a significant part of its potential resources when solving socially significant problems. Do not forget about the criminalization of the economic sector.

We believe that the current economic, organizational and legal conditions for entrepreneurial activity in Russia by SB subjects nullify the incentive mechanisms for such activities fixed by the state and undermine the spirit of entrepreneurship.

Meanwhile, it is the increase in the share of SB enterprises that will allow the Russian economy to develop dynamically. SB should take a more significant position, since it is able, with relatively small investments, to provide stability at the micro level and change the institutional and structural imbalances at the macro level.

Current factors of growth and decline of small business

Russia improved its position in the Doing Business ranking every year, moving up from 124th place in 2010 to 28th place in 2019, which could indicate an improvement in the formal conditions for doing business. However, the rating does not fully take into account the conditions for the activities of SB subjects, and calculations are carried out only for Moscow and St. Petersburg, in which doing business is obviously more profitable due to the concentration of effective demand than in most regions.

In 2018-2020, the Russian Federation increased funding for relevant measures of state support for SB as part of the implementation of the national project "Small and Medium Business and Support for Entrepreneurial Initiatives." However, the number of small and medium-sized businesses in 2019 decreased by 118,000 units compared to 2018, and the number of people employed in the sector fell to 18.8 million, i.e., decreased by almost half a million people. Let's make a reservation right away that the goal set in the national project for 2024 is defined as 25 million people. At the same time, the share of the small and medium-sized business sector in GDP in 2018 decreased to 20%, while the target set by the project is 32.5% for 2024.

In general, in 2019, negative trends in the development of the sector were recorded in our country, associated with an increase in the VAT rate, the introduction of online cash registers and an almost zero growth in household income. In 2020, the development of the SB sector was

negatively impacted by the coronavirus pandemic and weak economic growth. Today, there is a steady and significant drop in demand in the restaurant business, tourism and entertainment.

The 2020 coronavirus pandemic negatively affects the economic situation around the world, there are trends of the onset of the global economic crisis.

In Russia, the introduction of quarantine recommendations along with the depreciation of the ruble caused a sharp decline in demand for offline services, which reduced revenue primarily for SMEs. The statistics on the number of firms does not yet reflect the negative consequences of the pandemic, however, restaurants, fitness clubs, beauty salons, tourism enterprises, and event agencies are being massively ruined and closed. All types of businesses that did not manage to switch to the provision of goods and services in an online format or whose business model is exclusively related to the provision of personal services are now at risk of bankruptcy.

According to surveys by the Chamber of Commerce and Industry, by the beginning of 2021 one in three enterprises in the SB sector will be closed. In fact, we can talk about the nullification of the authorities' efforts to develop small and medium-sized businesses and improve the business climate in previous years, if no urgent support measures are taken.

And such measures are being taken. For example, unless otherwise established by the Government of the Russian Federation, inspections carried out in accordance with Law № 294-FZ are not carried out in respect of small and medium-sized businesses from April 1 to December 31, 2020 inclusive. The exception is inspections, the grounds for which are harm or threat of harm to life, health of citizens, emergencies of natural and man-made nature (part 1.1 of Art. 26.2 of Law № 294-FZ).

However, the range of identified problems that prevent the development of SB is much wider and is not limited only by the costs of state control. Let us cite specific data based on the results of a survey of entrepreneurs, ranking SB problems in the following order (the number of respondents is indicated in parentheses): taxes, legislation (75%); inflation (70%); the economic situation as a whole (66%); difficulties in obtaining and a high interest rate for a loan (62%); insolvency of partners, clients (59%); imperfection of the banking system (54%); political situation (47%); bureaucracy (40%); lack of production space, offices (40%); actions of the government, authorities; corruption, bribes (39%); lack of material resources (37%); financial policy of the state (37%); actions of the Central Bank of the Russian Federation (36%); sales, search for clients, consumers (33%); high prices for raw materials and supplies (32%); monopoly of the state, state-owned enterprises (31%); difficulties with renting (29%); severance of economic ties (29%); lack of culture, experience (24%); non-binding partners (24%); property problems (21%); personnel problems (19%); lack of own funds (19%); unprofitable production (18%); large, cumbersome reporting (18%); lack of benefits (16%); unprofitable investments (15%); market imperfection

(14%); distrust of foreign partners (13%); negative attitude towards entrepreneurs (9%) [3]. The above data indicate that the conditions necessary for the development of entrepreneurship in general, small entrepreneurship in particular, have not yet been formulated, given its active role in the country's economy.

State support for small businesses

State support for SB is a single purposeful activity based on the simultaneous and consistent implementation of legal protection methods and economic measures aimed at the development of innovative and industrial entrepreneurship. The main measures of state support for SB in Russia include: financial support (concessional lending, microloans, subsidies, tax and depreciation incentives, grant support, etc.); material and technical support (leasing of equipment, provision of premises for rent on preferential terms, creation of technology parks and business incubators, etc.); consulting support (providing access to databases, providing consulting and legal services on business registration, taxation, accounting, etc.); creation of market infrastructure (holding local fairs, equipping sales markets, etc.).

To obtain state support, you need to apply with an application, the form of which is approved by Order of the Ministry of Economic Development of Russia dated March 10, 2016 № 113 "On approval of the application form for the compliance of a newly created legal entity and a newly registered individual entrepreneur with the conditions for classifying small and medium-sized businesses as established by the Federal Law of July 24, 2007 N 209-FZ "On the development of small and medium-sized businesses in the Russian Federation." At the same time, in order to use benefits or receive other support, the applicant does not need to receive special documents confirming his right.

For example, on the basis of Art. 14 and Art. 15 of the Tax Code of the Russian Federation, constituent entities of the Russian Federation and local governments can establish regional and local taxes containing appropriate benefits for small and medium-sized businesses. It should also be noted that in accordance with paragraph 4 of Art. 6 of the Federal Law of 06.12.2011 № 402-FZ "On Accounting", small businesses have the right to keep simplified accounting and draw up simplified financial statements. In addition, financial support for SB entities is provided. In accordance with Art. 17 of Law № 209-FZ, the subjects of SB are provided with subsidies, budget investments, as well as state and municipal guarantees for their obligations at the expense of the budgets of the subjects of the Russian Federation and local budgets.

In recent years, the state has been making an attempt to formulate a coherent legal policy in the field of SB, aimed at forming a mechanism for legal regulation of certain aspects of SB, guaranteed achievement of strategic goals and tactical tasks in the field of small business development.

We believe that the meaning of state support for SB is, using the political will of society, to give economic and legal measures features of consistency, purposefulness, compliance with the realities of small businesses, so that these measures are aimed at achieving socially useful results.

Conclusion

In the process of studying the problems and trends in the formation and functioning of SB in modern Russia, we came to the conclusion that in Russia, despite the measures taken, conditions have not yet been created that would really contribute to the sustainable and effective development of SB. Unfortunately, small businesses never became the basis for the growth and stabilization of the Russian economy.

It is obvious that without the creation of a well-thought-out infrastructure for supporting SB, based on effective legal regulation, the solution of this problem will continue to be problematic. The development of SB is a prerequisite for the sustainable growth of our economy. SB should take a more significant position, since it is able, with relatively small investments, to provide stability at the micro level and change the institutional and structural imbalances at the macro level.

The situation that has developed for the period 2019-2020, caused by a new coronavirus infection, greatly reduced the development indicators of SB, which significantly aggravated the situation of the population of the countries, and also caused colossal damage to the development of the economy, leading the country into a state of severe economic crisis.

In Russia, a "social explosion" is possible due to the level of poverty, an increase in unemployment, a deterioration in the financial situation of the population and the inability to eliminate problems at the state level in the shortest possible time.

Small business leads to an improvement in the economy as a whole, and the best way out for Russia is to create a state policy that would be aimed at expanding and developing small business enterprises in our country. The meaning of state support for SB is, using the political will of society, to give economic and legal measures the features of consistency, purposefulness, compliance with the economic realities of small businesses, so that these measures are aimed at achieving socially useful results.

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