

Small Business as a Strategic Direction of the Development of Economy

Niiara B. Demiroglu ^a

Crimean Engineering and Pedagogical University in the name of Fevzi Yakubov, Simferopol, Russia

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Abstract: The article provides an overview of small business as an economic category from the point of view of various opinions of researchers. The development of small businesses in the system of changes in the main indicators characterizing the state of the Russian economy is analyzed: gross domestic product, investment in fixed assets, retail turnover. An assessment of the structure of small business entities in the regional aspect has been carried out to identify the greatest concentration and further formation of areas of support for small and medium businesses in various federal districts. Conclusions are made about the beginning of the way out of the crisis and the further growth of the effectiveness of the activities of small businesses, taking into account the implementation of measures of state support.

1 INTRODUCTION

In a market economy, small businesses and the medium-sized businesses that have grown on their basis act as an indicator in assessing economic transformations and a way out of the current crisis situation associated with the spread of the new coronavirus infection COVID-19. Sustainable development of countries and regions is associated with it, since, on the one hand, their activity contributes to the development and maintenance of the market environment, and on the other hand, small and medium-sized businesses adapt more quickly to changes in external conditions. These qualities of entrepreneurial behavior have become the most in-demand in recent years, since the speed of innovation processes in all spheres of activity is increasing, and the entrepreneurial sector generates ideas for its adaptation, which will subsequently provide a qualitatively new development of the economy as a whole.


At the moment, in Russia, the focus is shifting to solving environmental problems, increasing export potential, developing and implementing innovative solutions.

Small and medium-sized businesses in the country have been declared as one of the national

priorities of the economy, as the foundation for the emergence of conditions for intensive economic growth; the main directions and target indicators in assessing the level of development of small business entities (SBE) have been identified.

Referring to the norms of the Federal Law “On the Development of Small and Medium-Sized Businesses in the Russian Federation” and the laws of the regions of the Russian Federation on the support and development of small and medium-sized businesses, it should be noted that the very definition of the categories “small business” and “micro-entrepreneurship” is not presented in the considered normative acts. Many scientists, both domestic and foreign, note that there is no definite approach to the definition of the category of “small business”.

In the works of scientists, small business is considered as a certain sector of the economy, as a separate economic category, and even as an integral economic system (Yershova, et al., 2014). According to scientists S.E. Grishchenko and A.N. Alisov, “small business” is defined as a socio-economic category and is interpreted as a special type of entrepreneurial activity, the main purpose of which is to make a profit and meet the demand for goods, works and/or services. At the same time, the entrepreneur-owner acts at his own risk on an innovative basis under his own economic

^a <https://orcid.org/0000-0003-1519-3549>

responsibility and seeks to rationally use the available resources and socio-economic conditions (Alisov, Grishchenko, 2003).

F.F. Khamidullin defines “small business” as an economic system, noting that “... it is a complex, probabilistic, dynamic system, covering the processes of production, exchange, distribution and consumption, material goods, and like any complex system should be considered in different aspects. If we consider it from the point of view of material production, then its input is the material flows of natural and productive resources, information, the output is material flows of consumer goods, services, products intended for accumulation and replacement, goods for export, as well as production waste. In the socio-economic aspect, its input is certain socio-economic relations of people in society, the output is the production relations reproduced and developed by the system, the content of which is determined by the regulated and self-regulated ratio of the elements of property” (Khamidullin, 2006).

E.V. Romanenko defines the category of “small business” as a separate sector of the economy that occupies a certain place in the socio-economic space, which is a specific systemic formation (Khamidullin, 2006).

Within the framework of this study, we propose to understand “small business” as a complex of socio-economic and legal features inherent in small enterprises that meet the criteria defined by Federal Law No. 209-FZ, and the concepts of “small business” and “small entrepreneurship” are considered synonyms, due to the similarity of their inherent phenomena and processes. The criteria for classifying business entities as small and medium-sized enterprises are systematized by the author in an earlier study (Demiroglu, 2019). The close attention to the development of small business and the formation of its proper support are a sign of the success of Russia and other states, which indicates the importance of small business for the economy and social sphere of countries at different stages of development (Blinov, Rudakova, 2014). Sustainable, balanced development of the small business sector indicates a harmonious policy of the country in relation to small business, a healthy economy, and trends of successful development. Small enterprises are an integral part of the system of socio-economic relations and a part of the economic structure, create jobs, healthy competition, form the basis for a technical breakthrough (Blinov, Rudakova, 2014).

The problem of economic contradictions between the goals of the SBE and the state is not only scientific but also practical. The digitalization of small

businesses has increased dramatically in 2020 and, according to experts, can lead to a significant reduction in the demand for workers in many professions. In this context, the problems of the formation of an entrepreneurial environment and the inclusion of small and medium-sized businesses in the strategies for transforming the Russian economy have not been sufficiently studied.

The aim of the study is to analyze the main trends in the economy of the country and assess the role of small and medium-sized businesses in solving current problems and strategies for the integrated development of the Russian economy.

2 RESEARCH METHODOLOGY

To achieve the stated goal of the study, we analyzed statistical data on the development of small and medium-sized businesses in Russia as a whole and in the context of organizations in federal districts.

To identify the relationship between the indicators of the development of the SBE and the dynamics of macroeconomic indicators of the state of the country's economy as a whole, mathematical and statistical methods were used.

3 RESULTS OF THE STUDY

It should be noted that the growing role of small and medium-sized businesses in the country's economy, in the formation of the prosperity of society, is primarily associated with their performance of the economic and social functions and is natural. Despite the dynamic development of small businesses, there are a number of reasons that restrain them. To identify the reasons, it is proposed to use a functional-integration approach, which allows in the future to determine measures to support small businesses in terms of the functions of the support infrastructure and, at the same time, due to objective reasons for reducing resources for creating an infrastructure for supporting small and medium-sized businesses, to integrate functions into groups in order to concentrate resources for the solution of large-scale tasks and the effective implementation of the very functions of infrastructure support. In terms of infrastructural support, the integration approach makes it possible to combine efforts, increase the effectiveness of control and regulation, and create strong economic relations in the interaction of infrastructure organizations.

In the modern world, it is impossible to imagine separately organizational processes without their technical support, just like providing information and bringing it to individual consumers without providing consulting services. The knowledge obtained as a result of training and retraining of personnel is transformed at the enterprise into an information resource, due to which the function of training and retraining of personnel is recommended to be included in the information and consulting group. Norms and law define the restrictions, duties, responsibilities and rights of entrepreneurs, in fact, what are classified as formal institutions. Economic processes include financial aspects and are inseparable from each other. The very existence of the reasons restraining the development of small enterprises is determined by political, economic conditions, the cyclical nature of the production of products (works, services).

4 DISCUSSION

The study of the degree and speed of adaptation of SBE to changing conditions can be carried out on the basis of comparing the dynamics of economic processes over the past few years in Russia as a whole and by type of business. During this period of time (since 2015), stable work was noted in the country's economy, the criteria of the crisis were manifested and tendencies were formed to get out of it. The crisis phenomena were accompanied by a decrease in the gross domestic product, industrial output, investment in fixed assets, retail turnover, real money income of the population – this is the period of 2020. The positive dynamics of the main economic indicators can be considered a manifestation of positive trends in the development of the economy (Table 1).

The share of small and medium-sized businesses in the gross domestic product of the Russian Federation is a relative indicator characterizing the contribution of the activities of small and medium-sized businesses to the formation of the gross domestic product. It is counted on an annual basis for the country's economy as a whole. And it is calculated as a quotient of dividing the total volume of gross value added in current prices for all sectors of the national economy created by small enterprises (including micro-enterprises), medium-sized enterprises and individual entrepreneurs by gross value added in basic prices of all economic entities of the economy.

Table 1: Dynamics of the main indicators characterizing the state of the Russian economy for 2015-2020 (as a percentage of the previous year).

Indicators	2015	2016	2017	2018	2019	2020
Gross Domestic Product (constant prices)	98.0	100.2	101.8	102.8	102.0	97.0
Share of small and medium-sized businesses in gross domestic product, % (current prices)	no data	no data	22.0	20.4	20.8	no data
Fixed capital investments	99.7	106.1	108.7	111.0	108.7	104.1
Retail turnover	102.7	90.0	95.2	101.3	101.9	96.8

The economy of small and medium-sized businesses is characterized by the same dynamics in terms of the number of entities (Table 2).

Table 2: Dynamics of the number of small and medium-sized businesses for 2018-2021 (as a percentage of the previous year).

Business entities	2018	2019	2020	2021
TOTAL	103.0	100.0	97.9	96.1
including legal entities				
of which micro-enterprises	100.1	96.7	93.6	93.5
small businesses	99.6	93.4	88.6	96.1
medium-sized enterprises	100.0	92.7	90.5	103.8
individual entrepreneurs				
of which micro	105.7	103.3	101.9	97.7
small	98.0	97.9	95.8	100.8
medium-sized	88.1	90.1	95.3	101.6

It should be noted that, in general, there is a decrease in the number of micro, small and medium-sized entities for the entire period of the study, especially a sharp decrease is observed in 2020. However, in 2021, there is already a trend towards an increase in the number of business entities, namely, small and medium-sized legal entities and individual entrepreneurs.

Consequently, SBE began to reduce their activities, and in this regard, we can talk about a higher speed of response to the environmental factor. But the thesis of a more rapid adaptation of small businesses to the changing conditions of the external environment is not confirmed – the beginning of cautious growth coincides with the positive dynamics of the economy as a whole. To a greater extent, we can say that in times of crisis, the organizations that have more funding at the initial stage are more stable.

Next, we will consider the structure of small and medium-sized businesses in the context of federal districts for 2020 (Figure 1).

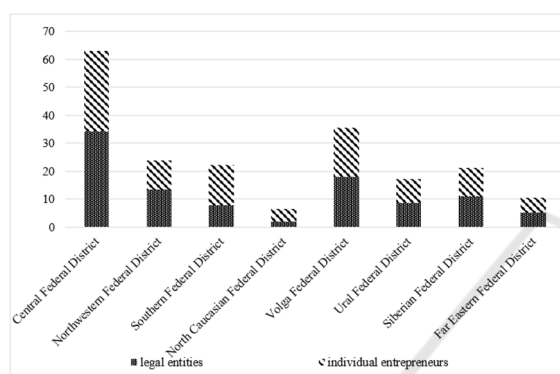


Figure 1: The structure of small business entities in the context of federal districts of the Russian Federation for 2020,% (Unified Register of Small and Medium Enterprises).

The conducted analysis shows that the largest number of small and medium-sized businesses is in the Central Federal District i.e. 34.19% and 28.79%, respectively, of legal entities and individual entrepreneurs. At the same time, the smallest share in the structure of SBEs is typical for the North Caucasian Federal District (2.05% – legal entities and 4.34% – individual entrepreneurs), which is confirmed by the high level of unemployment in the constituent entities of this federal district.

It is expedient to single out four main trends in the development of Russian small business in modern economic conditions:

- development in the intermediary sphere and sectors that do not require significant capital investments;
- close interaction with large enterprises through the systems of cooperation ties and subcontracting. The most common forms of interaction: cooperation ties, subcontracting, leasing, franchising;
- concentration of innovative small businesses in business incubators based on technology parks and

technology-innovation zones associated with the entrepreneurial need for an innovative infrastructure;

- import substitution and export-oriented activity of small enterprises is a trend that has developed under the influence of external factors.

The development of small businesses in modern realities is constrained by four problems: administrative barriers, insufficient funding, lack of qualified personnel, and difficulties in selling products.

It is necessary to summarize several ways that small business entrepreneurs can take note of in their activities to reduce the negative impact of corruption: knowledge of the laws; knowledge of the characteristics of the behavior of corrupt officials, the use of the opportunity to “get ahead” or “bypass” them; striving to be an honest and decent entrepreneur in an economic sense; leveraging participation in business communities to solve problems; the use of official opportunities of state support for small business.

Lack of funding significantly complicates the functioning of small businesses. Possible solutions to this problem include the use of the following alternatives: leasing packages of banking services; instruments of state support in the form of subsidies, grants, subsidies, etc.; microfinancing; participation in professional exhibitions and fairs in order to find an investor; increasing financial literacy for optimal use of own funds and reducing the volume of accounts payable.

As for the problems of product sales, it is connected, on the one hand, with the imperfection of the logistics system for servicing small entrepreneurs, on the other hand, with a low level of financial and economic literacy of entrepreneurs. It is advisable to solve this problem at the national level, through sales promotion tools: assistance in partnership with suppliers and consumers, construction of regional logistics centers, etc. Entrepreneurs themselves must think about distribution channels before starting production, using independent search, participate in fairs, cooperate with enterprises on a subcontracting system, and also carry out small-scale sales through direct contact with the consumer.

The prospects for the development of small businesses are mainly associated with the main trends that determine the vector of future development, a high degree of dependence on external factors, with a strategic focus of state support for entrepreneurship in the country.

The main prospects for the development of small business at the present stage are:

- import substitution and export-oriented activities;
- innovative business in special zones of industrial development;
- increasing the role of business unions and associations;
- regulation of the proportions of sectoral development through a system of competitive selection for government orders;
- expanding opportunities for youth entrepreneurship.

Prospects for the development of small business are manifested only if entrepreneurs themselves have such important qualities as mobility and quick adaptation to a dynamic market environment, as well as a certain set of basic and professional financial and economic knowledge, which makes it possible to assess the significant situation and build a forecast of business development in short and medium term.

5 CONCLUSIONS

The study of the degree and speed of adaptation of small businesses to changing conditions in the country's economy and their capabilities in solving current problems and achieving strategic goals in transforming the country's economy allows us to conclude that small and medium-sized businesses demonstrate the economic processes similar in dynamics to those of the country's economy in general, but their transformation is more effective from the standpoint of business, but not from the standpoint of a socially-oriented state. The contradictions between the goals of the business environment and the state are manifested in the form of mutual claims. The business environment does not consider the existing measures to develop and support entrepreneurship as sufficient. Today, in the opinion of public business structures, small businesses are generally not interested in expanding their activities, or they do not have the opportunity. Additional measures are needed to stimulate the development of small enterprises and their transition to the category of medium and large enterprises.

In our opinion, the existing mutual claims are based on different initial prerequisites for the interaction "business – state". State programs for the development and support of SBE proceed from the concepts of forming an entrepreneurial environment from the standpoint of an "economical person" i.e. their rational behavior will contribute to solving the problems of the national economy.

Funding for innovative entrepreneurship in Russia as a segment for the commercialization of innovations is formed on the basis of a system of startups, attraction of business navigators and state support funds based on their selection criteria and investment conditions. But this applies to a fairly narrow segment of the existing business environment. For all the rest, the main sources of financing for innovations remain credit products and sources of their own funds, which do not have an upward trend. A mass initiative can be stimulated by all sorts of benefits and incentives, that is, by economic methods. Russian legislation provides for tax incentives (simplified taxation systems, reduced rates of taxes and fees, etc.).

For the formation of the entrepreneurial initiative at a higher level and the inclusion of SBE in the strategies of innovative transformation of the economy of the country and regions, it is necessary that one of the main motives of entrepreneurship is interest in the business process itself, the development and implementation of technological and marketing innovations. This is an even longer process that requires further research.

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