



Artículo de investigación

Assessment of the financial aspects of small and medium-sized enterprises: Russian experience

Evaluación de los aspectos financieros de las pequeñas y medianas empresas: experiencia rusa
Avaliação dos aspectos financeiros das pequenas e médias empresas: experiência russa

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Abstract

The aim of this study was to assess the key financials of an array of micro-sized businesses, small and medium-sized enterprises as grouped by industry. This article deals with the assessment results of such financials as the net financial result of enterprises, the proportion of profitable and loss-making enterprises, the profitability of manufactured and sold products, the current levels of profit and loss, respectively, per profitable and loss-making enterprise. The dynamics of such financials during the period from 2010 to 2014 was presented. Accounting and statistical reporting was used as the input data. In the course of this research it was proven that during that period the profitable enterprises accounted for about 80%. However, the level of profitability did not depend on the size of an enterprise. The largest proportion of profitable enterprises was noted in such sectors as education and commerce. The net financial result per employee in micro-enterprises was significantly higher than those for medium-sized enterprises and small enterprises. The results of

Resumen

El objetivo de este estudio fue evaluar las finanzas clave de una serie de pequeñas empresas, pequeñas y medianas empresas agrupadas por industria. Este artículo trata de los resultados de la evaluación de tales finanzas como el resultado financiero neto de las empresas, la proporción de empresas rentables y que generan pérdidas, la rentabilidad de los productos fabricados y vendidos, los niveles actuales de ganancias y pérdidas, respectivamente, por rentabilidad y pérdida empresa de creación. La dinámica de tales finanzas durante el período 2010-2014 se presentó. Los informes contables y estadísticos se usaron como datos de entrada. En el curso de esta investigación, se comprobó que durante ese período las empresas rentables representaron aproximadamente el 80%. Sin embargo, el nivel de rentabilidad no depende del tamaño de una empresa. La mayor proporción de empresas rentables se observó en sectores como la educación y el comercio. El resultado financiero neto por empleado en las microempresas fue

this study may be used to validate business development plans and programs for various regions and sectors of the Russian economy.

Key words: financial results, profit and loss, micro-sized businesses (micro-enterprises), small enterprises, medium-sized enterprises, industries, Russia.

significativamente mayor que el de las medianas y pequeñas empresas. Los resultados de este estudio pueden usarse para validar planes y programas de desarrollo comercial para diversas regiones y sectores de la economía rusa.

Palabras clave: resultados financieros, pérdidas y ganancias, microempresas (microempresas), pequeñas empresas, medianas empresas, industrias, Rusia.

Resumo

O objetivo deste estudo foi avaliar as principais finanças de uma série de microempresas, pequenas e médias empresas agrupadas por setor. Este artigo trata dos resultados da avaliação de tais finanças como o resultado financeiro líquido das empresas, a proporção de empresas lucrativas e deficitárias, a rentabilidade dos produtos fabricados e vendidos, os níveis atuais de lucros e perdas, respectivamente, por lucro e perda empresa de fabricação. A dinâmica de tais finanças durante o período de 2010 a 2014 foi apresentada. Relatórios contábeis e estatísticos foram usados como dados de entrada. No decorrer desta pesquisa, ficou provado que, durante esse período, as empresas lucrativas representavam cerca de 80%. No entanto, o nível de lucratividade não dependia do tamanho de uma empresa. A maior proporção de empresas lucrativas foi observada em setores como educação e comércio. O resultado financeiro líquido por empregado nas microempresas foi significativamente superior ao das médias empresas e pequenas empresas. Os resultados deste estudo podem ser usados para validar planos e programas de desenvolvimento de negócios para várias regiões e setores da economia russa.

Palavras-chave: resultados financeiros, lucros e perdas, microempresas (microempresas), pequenas empresas, médias empresas, indústrias, Rússia.

Introduction

Researchers and policy makers have developed numerous programs to stimulate the growth of small and medium-sized enterprises (SMEs). The important role of these enterprises in resolving the issues related to the development of modern economies, the overcoming of crisis phenomena, the reduction of social tensions, including by increasing the level of employment, is described in such works as (Acs et al, 2008; Edoho, 2016; Grigore & Dragan, 2015; Popa & Ciobanu, 2014). Strategy for the development of small and medium-sized enterprises in the Russian Federation for the period up to 2030 (as approved by Russian Government Order No. 1083 dated June 2, 2016), provides for the establishment of conditions under which it will be impossible to make political decisions that may adversely affect the financial situation and overall operations of small and medium-sized business entities. Thus, the issue of improving the financial and economic performance of small and medium-sized enterprises comes to the fore. Understanding the patterns and trends characterizing the financial results of the Russian business sector is one of the most important

issues related to the development of small and medium-sized businesses amid the ongoing economic downturn. The analysis suggests that there are significant potential opportunities in the national economy to address these issues, taking into account the developed approaches to improving the competitiveness of SMEs (Grigore & Dragan, 2015; Kirzner, 1997; Simon-Moya et al, 2016; Foreman-Peck et al, 2006).

The current criteria for the classification of economic entities to different types of enterprises were set by Federal law No. 209-FZ dated 24.07.07 "On the development of small and medium businesses in the Russian Federation". However, the main criterion for an enterprise to be assigned to a particular category is the number of its employees, which, respectively, should not exceed 15 for the first category, from 16 to 100 for the second category and from 101 to 250 for the third category.

A significant amount of scientific research is devoted to the study of the financial performance of enterprises. The most interesting among them are the following works. The report addressed the financial performance of SMEs in





the European Union and concluded that it largely depends on what kind of industries they specialize in. A similar conclusion is made in article (Brush et al, 1999). The article (Popa & Ciobanu, 2014) focused on the effectiveness of SMEs both at the microeconomic and macroeconomic level. It addressed issues related to the improvement of financial performance and competitiveness in order to ensure the survival of SMEs. The article (Tze-Wei Fu et al, 2002) deals with the financials of 1276 small firms in Taiwan. The work shows how various factors affect the financial performance of small enterprises in Albania (Shosha, 2014).

The studies focused, inter alia, on the issue of profitability and size correlation. It should be noted that this issue is of strategic importance for the development of entrepreneurship, including SMEs.

One of the first studies was conducted in 1962 by Simon, L, who was unable to find a statistically significant correlation between the profitability and size of a firm. In 1967 in the work by Hall (Simon, 1962). M and Weiss, L a positive correlation between enterprise size and profitability was found (Hall & Weiss, 1967). On the contrary, Shepherd, W. in his article published in 1972 found a negative correlation between these factors (Shepherd, 1972).

In subsequent years, the opinions of researchers also differed. For instance, Whittington, G. argued that the profitability of a firm does not depend on its size (Whittington, 1980). A study using data from approximately 3 000 firms and conducted between 1979 and 1987 by Feigenbaum, A. and Kamani A. found a positive correlation between their size and profitability (Feigenbaum, A. & Kamani, 1991). A similar conclusion based on the analysis of 1 020 companies operating in India was made by Majumdar S. (Majumdar, 1997). However, Banchuenvijit W. (Banchuenvijit, 2012). found a negative correlation between enterprise size and profitability. The already mentioned report on SMEs contains evidence that in 17 countries there is a positive correlation between these factors, in 8 countries the profitability decreased when the size of enterprises increased, and in 3 countries no such correlation was found.

Some aspects of an analysis conducted with regard to the financial situation of small and medium-sized enterprises in Russia are described in the studies. The following works of

Russian scientists (Burova, 2014; Zvereva, 2012; Chursina & Lenkova, 2014) are of the greatest interest among them. However, the issues related to a comprehensive analysis of the financial and economic performance of Russian small and medium-sized enterprises have attracted insufficient attention so far.

Methods of research

This article deals with the results of an analysis conducted with regard to such performance indicators of micro-sized businesses, small and medium-sized enterprises as the net financial result of enterprises, the proportion of profitable and unprofitable enterprises, the profitability of manufactured and sold products, the current levels of profit and loss, respectively, per profitable and unprofitable enterprise. In accordance with the methodical approach described in the author's work (Pinkovetskaya, 2015), one considers the financial and economic performance not of individual enterprises but rather of their aggregates grouped by size and industry. However, if the indicators for a group of micro-enterprises differ from those for small enterprises, a corresponding division is introduced.

The purpose of this study was to assess the patterns and trends affecting the key financial and economic indicators typical for micro-enterprises, small and medium-sized enterprises grouped by industry.

In order to achieve this goal, one needs to solve the following tasks:

- assessment of the dynamics of absolute and relative financial and economic indicators;
- assessment of the profitability of enterprises operating in various industries;
- assessment of the current profit and loss of SMEs.

In addition, the study addressed such a hot issue (as mentioned above) as the existence of a correlation between the profitability of enterprises and their size. In this article we propose a fundamentally new approach to the study of this problem. Such approach is based on an assessment of how much the profitable micro-enterprises, small and medium-sized enterprises account for in the total number of micro-enterprises, small and medium enterprises, respectively.

During our analysis we considered the financial and economic indicators of SMEs for the period from 2010 to 2014 by using the materials published by the Federal State Statistics Agency (Federal State Statistics Agency. Small and medium enterprises. 2015). These indicators are based on the data taken from accounting and statistical reports. Let us briefly discuss characteristics of the key financial and economic performance indicators described in this article.

The value of own goods, works and services, as well as proceeds from the sale of third party goods are included into the calculation of enterprises' turnover. The value of own goods is the value of those goods that are produced by an economic entity and actually shipped or delivered to them in the reporting period by way of sale, as well as direct exchange with other legal entities and individuals, regardless of whether the funds were credited to the seller's account or not.

The net financial result is a final financial result based on the accounting data for all business operations of enterprises. It is the amount of profit from the disposal (sale) of goods, works and services, fixed assets, other property of entities, as well as the income from other transactions, less the amount of expenses incurred in connection with such transactions. Data regarding the net financial result (profit minus loss) is presented in the actual prices,

structure and methodology of the respective years.

The profitability of goods sold, works performed and services rendered is calculated as the difference between the value of net financial result from sales and the prime cost of goods, products, works and services sold, which includes commercial and management costs.

If the net financial result (profit minus loss) from sales is positive, then there is a profitability, and if it is negative – there is a loss. Accordingly, a profitable enterprise is an enterprise that has shown a positive net financial result for the reporting year, and a loss-making enterprise is an enterprise that has reported a negative net financial result for the reporting year.

RESULTS AND DISCUSSES

Key financials of SMEs

The key figures describing the financial and economic performance of various types of enterprises in Russia are presented in the following tables. Table I shows the performance of medium-sized enterprises for the period from 2010 to 2014. This table deals with such indicators as the number of enterprises, the number of their employees, turnover, financial results, as well as the proportion of profitable and loss-making enterprises in their total number.

Table I. Key figures representing the performance of medium-sized enterprises in Russia

Key figures	As of yearend				
	2010	2011	2012	2013	2014
Number of enterprises	15170	15945	13767	13684	13691
Number of employees, thousand people	2582,9	2051,5	1795,6	1705,5	1658,9
Turnover, bRUB	7416,2	5150,4	4710,6	4717,5	5027,8
Net financial result, bRUB	139,4	162,1	216,3	200,1	143,1
Proportion of profit-making enterprises, %	76,3	79,5	82,3	80,1	79,7
Total profit, bRUB	209,7	233,5	296,2	308,5	334,3
Proportion of loss-making enterprises, %	23,7	20,5	17,7	18,9	20,3
Total loss, bRUB	70,3	71,4	80,0	108,3	191,3

The number of enterprises and their employees was on the decrease in 2011 and 2012. During the period from 2010 to 2014 the number of their employees decreased by almost 16%. The net financial result underwent significant fluctuations. The profitable enterprises accounted for 76% - 83%. However, the total profit of medium-sized enterprises has been steadily increasing over the years. It was significantly (almost three times) higher than the total losses in all years except 2014. In 2014, the profit exceeded the loss by 74%.



Table 2 shows the performance of small enterprises (excluding micro-enterprises) for the period from 2010 to 2014.

Table 2. Key figures describing the performance of Russia's small enterprises (excluding micro-enterprises)

Key figures	As of yearend				
	2010	2011	2012	2013	2014
Number of enterprises	229083	242677	243065	234527	235579
Number of employees, thousand people	7265,7	7125,9	6994,3	6926,2	6832,0
Turnover, bRUB	13324,6	15581,9	15116,3	15680,3	16692,9
Net financial result, bRUB	295,0	275,1	411,9	587,1	311,4
Proportion of profit-making enterprises, %	77,1	80,0	81,8	79,6	78,5
Total profit, bRUB	410,7	407,2	540,8	795,7	899,7
Proportion of loss-making enterprises, %	22,9	20,0	18,2	20,4	21,5
Total loss, bRUB	115,7	132,1	128,9	208,6	588,3

In the years under review the number of small enterprises did not change significantly and remained in the range from 229 000 to 243 000. During the period from 2010 to 2014 the number of their employees decreased by 6%. The net financial result underwent significant fluctuations. The profitable enterprises accounted for 77%-82%. However, the number of profit-making medium-sized enterprises was on the increase in all these years. The total profit was significantly (more than three times) higher than the total loss in all these years except 2014. In 2014, the profit exceeded the loss by merely 53%.

Table 3 shows the performance of micro-enterprises for the period from 2010 to 2014.

Table 3. Key figures describing the performance of Russia's micro-enterprises

Key figures	End of the year				
	2010	2011	2012	2013	2014
Number of enterprises	1415186	1593755	1759973	1828589	1868201
Number of employees, thousand people	3883,3	4354,5	4699,6	4769,5	4912,2
Turnover, bRUB	5609,2	7028,3	8347,4	9101,3	9699,3
Net financial result, bRUB	241,0	199,0	538,3	849,9	899,5
Proportion of profit-making enterprises, %	79,8	81,5	82,4	80,6	79,9
Total profit, bRUB	457,7	369,5	715,4	1297,5	1649,0
Proportion of loss-making enterprises, %	20,2	18,5	17,6	19,4	20,1
Total loss, bRUB	216,7	170,5	177,1	447,6	749,5

During the period under review the number of micro-enterprises and their employees was increasing steadily. The ratio of the total profit of such enterprises and their total losses underwent a significant change over the years. For instance, in 2010 the total losses of micro-enterprises accounted for 47% of the total profit. In 2012, this ratio decreased to 25%, and by 2014 it had increased to 45%. The ratio of the number of profitable and loss-making enterprises did not change significantly over the years. The proportion of profitable enterprises stood at about 80%.

A comparative analysis conducted in respect of the figures, presented in Tables 1, 2, 3 and showing how much the profitable micro-enterprises, small and medium-sized enterprises account for in the total number of micro-enterprises, small and medium-sized enterprises, respectively, suggests that there is no profitability and size correlation.

Overall, it should be noted that in recent years there has been a large number of unprofitable small and medium-sized businesses, as well as significant total losses in all types of enterprises. Total losses in the business sector economy often reached almost a half of the profits.

SME profitability assessment

The profitability of small and medium-sized enterprises in recent years is presented taking into account the existing differentiation of profitability values for SMEs operating in various industries. It should be pointed out that these Russian enterprises operate in the following 13 sectors:

1. Agriculture, hunting and forestry.
2. Fishing, aquaculture and associated services.
3. Extraction of minerals.
4. Manufacturing.
5. Production and distribution of electricity, gas and water.

6. Construction.
7. Wholesale and retail commerce.
8. Hospitality (hotels and restaurants).
9. Transport and telecommunication.
10. Real estate.
11. Education.
12. Health care.
13. Other utility, social and personal services.

Table 4 shows the profitability of products, goods, works and services created and sold by small enterprises (including micro-enterprises) as broken down by the main industries where they operate. In this and next tables the legends representing industries correspond to the above list.

Table 4. The profitability of products (goods, works, services) produced and sold by small enterprises, %

Industries	By years				
	2010	2011	2012	2013	2014
1	7,9	9,3	10,6	6,7	11,4
2	21,0	21,3	14,9	22,7	26,9
3	7,5	5,8	4,9	5,9	5,8
4	4,1	4,8	4,8	6,1	5,7
5	4,0	3,5	1,8	1,8	2,2
6	2,5	3,1	3,3	4,7	4,7
7	2,7	2,8	2,7	3,4	3,7
8	9,8	9,5	10,5	11,9	8,1
9	5,2	4,6	4,2	6,3	4,6
10	5,9	7,9	8,0	14,0	12,9
11	12,7	10,3	5,0	19,7	15,8
12	4,9	7,9	12,7	13,3	15,9
13	3,8	4,7	5,0	10,9	9,1
Total average	3,4	3,7	3,7	5,3	5,4

Looking at the profitability values shown in Table 4, it can be noted that the profitability in such industries as manufacturing, fishing and aquaculture, mining, construction, wholesale and retail commerce, hospitality (hotels and restaurants), transport and telecom has been relatively stable over the years. The growth of profitability in 2010-2013 took place in small enterprises engaged in real estate, as well as other utility, social and personal services. A significant decrease in profitability was observed in 2012 in education, in 2013 – in agriculture, hunting and forestry, and in 2012-2014 – in the production and distribution of electricity, gas and water. One may point out the industries where small enterprises demonstrated a relatively high average profitability for the entire period (above 10%). These include fishing, aquaculture, education, health care and social services. Profitability in such industries as hospitality (hotels and restaurants), real estate and agriculture was slightly lower (9%-10%). An above industry average (4.3%) profitability was also observed in such industries as other utility, social and personal services, mining, manufacturing, as well as transport and telecommunications.

Table 5 shows similar profitability figures for medium-sized enterprises.

Table 5. The profitability of products (goods, works, services) manufactured and sold by medium-sized enterprises, %

Industries	By years				
	2010	2011	2012	2013	2014
1	9,3	9,6	10,7	5,7	11,7
2	24,7	25,7	20,3	25,5	42,0





3	8,1	16,7	12,5	10,4	10,6
4	5,7	5,2	5,8	5,9	5,3
5	1,3	4,7	2,1	1,2	0,4
6	4,8	3,9	4,0	3,6	3,4
7	3,0	2,7	2,7	2,5	2,9
8	5,5	5,4	8,2	11,0	7,6
9	4,9	5,1	5,3	5,4	5,0
10	10,0	11,5	11,1	9,9	9,5
11	N/A	N/A	N/A	2,7	-1,6
12	3,2	5,5	8,3	11,3	11,7
13	-0,5	7,5	-9,0	-14,4	-1,0
Total average	5,0	4,8	4,6	4,2	4,6

Looking at the information presented in Table 5, it can be noted that during the years under review a relatively stable profitability was observed in such industries as manufacturing, fishing and aquaculture, construction, wholesale and retail commerce, transport and telecommunications, as well as real estate. In 2010-2014 there was a growth in the profitability of medium-sized enterprises specializing in health care and social services. A significant decrease in profitability was observed in 2013 in such industries as agriculture, hunting and forestry, and in 2014 – in the production and distribution of electricity, gas and water.

An analysis conducted with regard to the average values demonstrated during the period under review suggests that a relatively high profitability (above 10%) was observed in such industries as fishing, aquaculture, mining, real estate, leasing and services. The profitability was somewhat lower in industries such as agriculture, hunting and forestry, health care and social services, hospitality (hotels and restaurants). An above industry average profitability was observed in such industries as manufacturing, transport and telecommunications. It should be noted that there is such a phenomenon as negative profitability in medium-sized enterprises providing utility, social and personal services in all the years under review except for 2011. By comparing the figures shown in Tables 7 and 8, one may conclude that the average profitability values during the period from 2010 to 2014 were similar for small and medium-sized enterprises specializing in such industries as agriculture,

manufacturing, construction, wholesale and retail commerce, transport and telecommunications, as well as real estate. In medium-sized enterprises engaged in mining, fishing and aquaculture, the profitability was significantly higher than in small enterprises operating in these industries. The opposite pattern was observed in business entities specializing in education and health care, hospitality (hotels and restaurants), as well as in the production and distribution of electricity, gas and water. In these industries small enterprises turned out to be more profitable. It should be noted that the profitability of both small and medium-sized enterprises operating in such industries as fishing, aquaculture, real estate, leasing and services, agriculture, hunting and forestry is high.

Overall, the business sector of Russian economy is characterized by a relatively low profitability, as evidenced by the figures presented in the last lines of Tables 7 and 8. On average, during the period under review in all the industries the profitability stood at 4.30% for small enterprises and 4.64% for medium-sized enterprises.

Profitable and unprofitable SMEs

The analysis of how much the profitable small (including micro-enterprises) and medium-sized enterprises account for in the total number of such enterprises operating in the key industries is of great interest. The corresponding figures are shown in Tables 6 and 7.

Table 6. The proportion of profitable small enterprises in the total number of small enterprises, %

Industries	By years				
	2010	2011	2012	2013	2014
1	70,9	76,6	75,0	76,5	77,6
2	70,6	71,9	70,6	71,6	70,9
3	65,9	68,9	69,5	69,6	69,4
4	78,2	80,5	81,6	80,0	79,3

5	70,2	70,6	71,4	68,3	68,7
6	76,9	80,1	82,0	81,5	80,9
7	83,1	84,5	85,5	84,1	83,3
8	75,6	76,9	78,3	76,2	74,3
9	75,8	78,0	79,2	78,5	78,3
10	75,2	76,7	77,8	77,5	76,6
11	80,7	80,3	79,0	76,2	74,4
12	75,3	76,7	77,8	78,1	76,3
13	74,4	75,7	77,6	75,5	74,3
Total average	79,3	81,3	82,3	80,5	79,7

An analysis of the figures presented in Table 6 suggests that in all years of the period under review the profitable small enterprises accounted for about 80% on average (from 79.3% to 82.3%). The proportion of unprofitable enterprises was respectively about 20%, i.e. every fifth small enterprise was unprofitable. A relatively larger number of profitable enterprises (84.1% on average in 5 years) was observed in wholesale and retail commerce. The lowest level of profitability was observed in mining (68.7%) and the production, distribution of electricity, gas and water (69.8%).

Table 7 shows how much the profitable medium-sized enterprises account for in the total number of medium-sized enterprises.

Table 7. The proportion of profitable medium-sized enterprises in the total number of medium-sized enterprises, %

Industries	By years				
	2010	2011	2012	2013	2014
1	77,1	83,1	80,3	79,4	82,0
2	78,4	84,7	80,0	81,2	73,3
3	67,2	73,0	75,6	74,0	69,6
4	72,5	76,5	80,2	78,6	75,7
5	59,0	60,1	61,3	60,2	60,8
6	75,2	75,1	79,1	78,6	78,0
7	86,5	87,0	89,3	87,9	85,0
8	73,4	70,7	83,3	79,2	71,3
9	72,3	74,8	76,5	75,6	73,8
10	79,9	78,8	82,8	80,0	79,0
11	100,0	N/A	N/A	100	71,4
12	67,2	72,2	78,4	80,6	76,6
13	68,0	69,9	74,3	70,2	69,2
Total average	76,7	79,5	82,3	81,1	79,7

An analysis of the figures presented in Table 7 suggests that in the years of the period under review the profitable enterprises operating in all industries accounted for 76.7%-82.3% on average. It should be noted that the average values of the proportion of profitable and loss-making medium-sized enterprises are very similar to those of small enterprises. The largest proportion of profitable enterprises (90.5% and 87.1% on average over 5 years) was observed in such industries as education, as well as wholesale and retail commerce. The lowest proportion of profitable enterprises was observed in the production and distribution of electricity, gas and water (from 59% to 60.8%).

Overall, it is safe to say that in recent years a significant number of small and medium-sized enterprises have been unprofitable, and their proportion (about 20% of all enterprises) has not decreased. This suggests that there are serious financial problems in the performance of small and medium-sized enterprises operating in Russian economy.

Of considerable interest is an analysis conducted with regard to the current levels of profitability (loss ratio) demonstrated by the enterprises operating in key industries. Table 8 shows the average profitability ratio of one profitable small enterprise (including micro-enterprise) specializing in the industries in question.



Table 8. The average profitability of one small enterprise, mln. RUB.

Industries	By years				
	2010	2011	2012	2013	2014
1	1,9	2,4	2,9	2,1	2,7
2	8,5	9,2	7,7	4,8	7,1
3	7,0	5,0	5,2	3,8	3,3
4	2,0	2,0	2,3	1,7	1,8
5	5,0	2,9	2,4	1,9	2,0
6	1,7	1,8	1,9	1,9	1,7
7	1,3	1,4	1,6	1,5	1,4
8	1,4	1,4	2,0	2,0	1,8
9	1,7	1,9	1,7	1,4	2,0
10	3,8	3,5	3,6	2,8	3,3
11	1,8	0,8	0,9	0,8	0,6
12	1,2	1,9	2,7	1,6	1,6
13	1,2	1,3	1,4	1,5	1,5
Total average	2,1	1,9	2,5	1,9	2,1

An analysis of the figures presented in Table 8 suggests that the highest level of profitability was observed in small enterprises specialized in fishing and aquaculture (from 4.8 to 9.2 mln. RUB/ year). In all the industries, the average profitability of small enterprises was about 2 mln. RUB/year and only in 2012 it was significantly higher (2.5 mln. RUB/year). An above the average value of profitability was observed in the enterprises engaged in mining (4.86 mln. RUB/year), as well as real estate, leasing and services (3.40 mln. RUB/year). The lowest profitability values are typical for small enterprises operating in the field of education, as well as other utility, social and personal services.

Table 9 shows the values that represent an average loss ratio of small enterprises specializing in the industries in question.

Table 9. Average loss ratio per small enterprise, mln. RUB.

Industries	By years				
	2010	2011	2012	2013	2014
1	3,0	3,8	3,7	4,8	6,1
2	6,7	5,7	5,5	4,6	6,5
3	7,3	9,3	14,0	7,0	8,6
4	2,4	3,0	3,0	2,1	3,0
5	3,0	3,5	3,5	2,7	3,7
6	2,5	3,0	2,4	2,5	3,2
7	1,6	1,4	1,7	1,7	2,2
8	1,2	1,4	1,9	2,1	3,1
9	1,8	1,7	2,0	1,7	2,8
10	6,8	6,2	4,7	3,0	5,0
11	0,5	0,9	0,9	0,6	0,6
12	1,6	1,8	1,7	1,4	1,5
13	2,1	2,3	2,4	1,7	2,3
Total average	3,1	3,3	2,9	2,5	4,3

An analysis of the figures presented in Table 9 suggests that the highest level of loss ratio was observed in small enterprises specialized in mining (from 7.0 to 14.0 mln. RUB/year). A high loss ratio was shown by enterprises engaged in fishing, aquaculture, real estate, leasing and services, as well as those operating in agriculture, hunting and forestry. In all the industries the average loss rate of small enterprises was quite significant and amounted to 3.22 mln. RUB/year per enterprise, and in 2014 it reached 4.3 mln. RUB/year. Tables 10 and 11 show the data representing the profitability and unprofitability rate (loss ratio) of medium-sized enterprises.

Table 10. Average profitability of one medium-sized enterprise, mln. RUB.

Industries	By years				
	2010	2011	2012	2013	2014
1	12,3	13,9	16,5	19,3	26,0
2	83,9	103,0	79,2	86,5	204,5
3	86,6	67,0	73,3	52,1	57,7
4	17,8	18,1	20,5	22,1	21,2
5	18,0	26,0	22,6	22,3	19,4
6	17,8	17,7	19,7	19,7	18,8
7	15,8	18,3	17,2	15,4	15,8
8	8,5	19,9	15,4	28,1	29,0
9	17,6	20,6	22,1	18,5	22,5
10	24,2	29,9	36,1	33,6	32,3
11	N/A	N/A	N/A	0,3	0,2
12	8,5	8,3	12,0	16,8	29,6
13	16,5	18,0	18,0	17,1	15,1
Total average	18,0	19,9	21,8	21,8	22,4

An analysis of the figures presented in Table 10 suggests that there is a significant differentiation in the level of profitability in medium-sized enterprises operating in various industries. A very high level of profitability is observed in fishing and aquaculture (from 79.2 mln. RUB to 204.5 mln. RUB). However, the largest growth was seen in 2014, which seems logical given the efforts made by such enterprises for import substitution. A relatively high level of profitability is observed in mining. Yet, the profitability in these enterprises has a downward trend. The lowest profitability was seen in educational enterprises. It is on the basis of generated profits that investments in the fixed assets of small and medium-sized enterprises are made. It should be taken into account that due to the high cost of loans, such enterprises rarely use them for investment.

Table 11. Average loss ratio of one medium-sized enterprise, mln. RUB.

Industries	By years				
	2010	2011	2012	2013	2014
1	19,0	21,7	24,8	47,1	55,2
2	49,3	52,6	27,4	31,0	270,0
3	33,2	48,2	54,1	76,0	83,6
4	20,2	26,7	24,9	25,5	38,1
5	19,2	12,6	16,7	24,3	18,1
6	13,3	18,3	21,9	32,0	39,9
7	17,3	18,8	21,0	25,3	27,2
8	12,8	17,6	35,3	15,1	32,2
9	26,8	33,6	24,6	22,2	62,3
10	27,1	28,3	17,2	43,6	125,5
11	N/A	N/A	N/A	N/A	0,8
12	8,8	8,9	13,2	23,0	27,2
13	22,9	10,4	116,8	52,6	30,1
Total average	19,9	23,7	27,3	33,0	50,2

Among the loss-making medium-sized enterprises, a high loss ratio was shown by the enterprises operating in such industries as fishing, aquaculture, mining, real estate, leasing and services. During the period under review, the average loss was significant in all the industries and reached 30.82 mln.RUB/year per one medium-sized enterprise.

Conclusion

Overall, the studies have shown that there is a significant differentiation as to the financial performance of micro-enterprises, small and medium-sized enterprises by size categories and the industries where they operate.

The main results of this study, which have scientific novelty, include the following:





- no correlation between the profitability of enterprises and their size has been found;
- the ratio of profitable and loss-making enterprises during the period from 2010 to 2014 did not change significantly, with the former accounting for about 80%;
- the largest proportion of profitable enterprises was observed in such industries as education, as well as wholesale and retail commerce. The smallest proportion of profitable enterprises was seen among enterprises related to the production and distribution of electricity, gas and water;
- the total business sector losses often accounted for almost a half of the profits;
- a high profitability of small and medium-sized enterprises was observed in such industries as fishing, aquaculture, mining, real estate, leasing and services.

Based on the results of this work, the following suggestions and recommendations may be formulated. It is necessary to create conditions for increasing the profitability and reducing the loss rate of micro-enterprises, small and medium-sized enterprises in order to solve the problems of institutional support for the operation of these enterprises on the basis of a stable legal framework, transparent fiscal and regulatory conditions, including by expanding the use of simplified taxation systems, as well as by optimizing the accounting and reporting. It is necessary to provide financial assistance and support to business entities by reducing loan interest rates and subsidizing a part of the costs associated with the interest payment, as well as by increasing the volume of state subsidies for the purchase of industrial raw materials and necessary consumables, including the acquisition and lease of equipment and the performance of repair works. Increasing the responsibility of federal and local authorities for the development of small and medium-sized businesses by creating incentives to encourage those who ensure high efficiency of such operations will be of paramount importance.

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