

## Artículo de investigación

## Modern status of small enterprise development prospects and problems in Russia

Estado moderno de las perspectivas y problemas de desarrollo de la pequeña empresa en Rusia.  
Situación moderna de pequeñas promociones e problemas del desarrollo empresarial en Rusia

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### Abstract

The article describes the current state of small business development prospects and problems in Russia and, in particular, some aspects of small business development in Primorsky Krai and the city of Vladivostok. The article analyzes the main economic indicators of small enterprise activity in Russia. The analysis of small enterprise state allows us to conclude that, small businesses have incentives for their development despite significant changes in the external environment, which make an ambiguous impact on the activities of small businesses, and an unstable economic situation in the country. Despite the general reduction of small enterprise number in Russian Federation, the number of employees, the level of wages has increased insignificantly among the workers of small enterprises, and the turnover of small enterprises has also increased both in Russia as a whole and in small enterprises of Primorsky Krai. However, some of the problems that prevent the full-fledged development of small business continue to be unresolved. Understanding the prospects and the trends of small business development, as well as the solution of the problems limiting its development, is of great importance for the development of Russia and in particular for the development of the region strategic potential.

**Key words:** small business, entrepreneurship, economic indicators of small enterprises, individual entrepreneurs, small business development.

### Resumen

El artículo describe el estado actual de las perspectivas y problemas de desarrollo de pequeñas empresas en Rusia y, en particular, algunos aspectos del desarrollo de pequeñas empresas en Primorsky Krai y la ciudad de Vladivostok. El artículo analiza los principales indicadores económicos de la actividad de la pequeña empresa en Rusia. El análisis del estado de la pequeña empresa nos permite concluir que las pequeñas empresas tienen incentivos para su desarrollo a pesar de los cambios significativos en el entorno externo, que tienen un impacto ambiguo en las actividades de las pequeñas empresas y una situación económica inestable en el país. A pesar de la reducción general del número de pequeñas empresas en la Federación de Rusia, el número de empleados, el nivel de los salarios ha aumentado insignificativamente entre los trabajadores de las pequeñas empresas, y el volumen de negocios de las pequeñas empresas también ha aumentado tanto en Rusia como en las pequeñas empresas de Primorsky Krai. Sin embargo, algunos de los problemas que impiden el desarrollo completo de las pequeñas empresas continúan sin resolverse. Comprender las perspectivas y las tendencias del desarrollo de pequeñas empresas, así como la solución de los problemas que limitan su desarrollo, es de gran importancia para el desarrollo de Rusia y, en particular, para el desarrollo del potencial estratégico de la región.

**Palabras clave:** pequeña empresa, emprendimiento, indicadores económicos de pequeñas empresas, empresarios individuales, desarrollo de pequeñas empresas.

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## Resumo

O artigo descreve o estado atual das perspectivas e problemas do desenvolvimento de pequenas empresas na Rússia e, em particular, alguns aspectos do desenvolvimento de pequenas empresas em Primorsky Krai e na cidade de Vladivostok. O artigo analisa os principais indicadores econômicos da atividade de pequenos negócios na Rússia. A análise do estado da pequena empresa nos permite concluir que as pequenas empresas têm incentivos para o seu desenvolvimento, apesar das mudanças significativas no ambiente externo, que têm um impacto ambíguo nas atividades das pequenas empresas e uma situação econômica instável na economia. Apesar da redução geral no número de pequenas empresas na Federação Russa, o número de funcionários, o nível de salários aumentou insignificamente entre os trabalhadores de pequenas empresas, e o volume de negócios de pequenas empresas também aumentou tanto na Rússia como nos pequenos negócios de Primorsky Krai. No entanto, alguns dos problemas que impedem o pleno desenvolvimento de pequenas empresas permanecem sem solução. Compreender as perspectivas e tendências do desenvolvimento das pequenas empresas, bem como a solução dos problemas que limitam o seu desenvolvimento, é de grande importância para o desenvolvimento da Rússia e, em particular, para o desenvolvimento do potencial estratégico da região.

**Palavras-chave:** pequenos negócios, empreendedorismo, indicadores econômicos de pequenas empresas, empreendedores individuais, desenvolvimento de pequenas empresas

## Introduction

The activity of small business entities in Russian Federation is regulated by Federal Law No. 209-FI "On the development of small and medium-sized business in Russian Federation" issued on July 24, 2007.

This normative-legal document reflects the criteria of an enterprise belonging to small business enterprises. According to the Federal Law, small business entities include consumer cooperatives and commercial organizations (except of state and municipal unitary enterprises) listed in the unified state register of legal entities, as well as individuals listed in the unified state register of individual entrepreneurs and carrying out entrepreneurial activities without a legal person establishment (hereinafter - individual entrepreneurs).

The main criteria for classifying enterprises as small businesses are:

- the number of employees;
- the amount of revenue received by an enterprise.

Thus, the average number of employees at a small enterprise is up to 100 per calendar year. Moreover, the group "small enterprises" may have microenterprises, the average number of employees of which is up to 15 people per calendar year.

Since July 25, 2015, according to the Decree of Russian Federation Government N 702 "On the marginal revenue from the sale of goods (work, services) for each category of small and medium-sized businesses" (July 13, 2015) the limit value of revenue equal to 800 million rubles is set without taking into account value added tax for the previous year (Table 1).

Table 1 - Classification of enterprises

Enterprise type	Average number of employees per calendar year, men	Maximum annual revenue, mln. rub.
Microenterprise	up to 15	120
Small	up to 100	800
Average	100 - 250	2 000

So, such entrepreneurial activity as small business is the entrepreneurial activity carried out by the market economy subjects in accordance with established laws aimed at the systematic receipt of profits from the use of property, the sale of goods, the performance of works or the provision of services by the persons registered in this capacity.

## Analysis Of The Main Economic Indicators Of Small Enterprise Activity In Russia And Primorsk Territory

In the economy, small businesses act as the leading sector that determines the rate of economic growth, the structure and the quality of the gross national product. However, despite the growth of economic entity number, the share of their contribution to GDP has significantly decreased, and it makes about a fifth nowadays. At that this figure is much higher in developed countries (Kovaleva, 2017).

Undoubtedly, this is due to the general decline in the country economy, credit reduction, high tax burden, the falling demand in the domestic market and low living standards of the population (Kovaleva, 2017)

In recent years, small business has become one of the most important sectors of the economy. According to the head of the Ministry of Economic Development and Trade (MEDT) of Russia, the share of small business in the GDP of developed countries is about 50%, in China it makes more than 60%, in Russia - no more than 21% (Egishyants, 2008).

As of January 1, 2017, there were 256,700 small businesses registered in Russia (excluding microenterprises). Compared with 2011, their number slightly increased. Since 2011, the number of officially registered small businesses is falling amid a sharp change in the conditions of the Russian economy under the influence of the global financial crisis and its spread to the real economy.

The reduction of small business number has affected the number of jobs. Thus, the average number of employees of small enterprises was 6,452.3 thousand people in 2013 versus 6,506.8 thousand people in 2012. In 2016 there was a sharp decrease of small business number, which was the reason for the average number of employees reduction at these enterprises. In 2017, these two indicators began to increase. Thus, the number of small enterprises amounted to 256.7 thousand in 2017, and the average number of employees of small enterprises in Russia amounted to 6,671,800 people. The average monthly accrued wages of small enterprise workers in 2013 amounted to 17,948 rubles, which exceeded the level of worker wages at small enterprises by 7.5% in 2012 (table 2).

*Table 2 - The main economic indicators of small enterprise activities (without microenterprises) in Russia*

Indicators	2013	2014	2015	2016	2017
Number of enterprises (by the end of the year), thousands.	234,5	235,6	242,7	173,0	256,7
Average number of employees, thousand people.	6452,3	6832,0	6661,0	5388,9	6671,8
Turnover of enterprises, bln. rub.	15680,3	16692,9	17292,9	18738,2	27586,4
Investments in fixed assets, bln. rub.	389,4	427,7	409,2	411,6	553,8

The average number of employees working at small enterprises of Primorsky Krai made 108.2 thousand people in 2013, which is 1.7% of the total number of small enterprise employees in Russia. The average number of small enterprise employees in Primorsky Krai increased by 0.5 thousand as compared to 2012, and in comparison with 2011 it decreased by 0.9 thousand.

The analysis of the main trends characteristic of small business of the Russian economy showed an uneven development of small business in Russia [6-8].

The analysis of registered small enterprise distribution by the types of economic activity made it possible to obtain the following results.

Over a fairly long period of time, the bulk of small enterprises in Russian Federation are wholesale and retail enterprises, the repair of vehicles, motorcycles, household products and personal items. By the end of 2016, they account for about 30% of registered small businesses (71,163 small enterprises).

In terms of small enterprise number the second place is occupied by the organizations that carry out the operations with real estate, renting and service provision. The share of these enterprises is 20.7% of the total volume of small enterprises in Russian Federation.

It should be noted that the share of small enterprises in the production sector is much smaller, which indicates that much less is produced than sold in Russia (Figure 1).

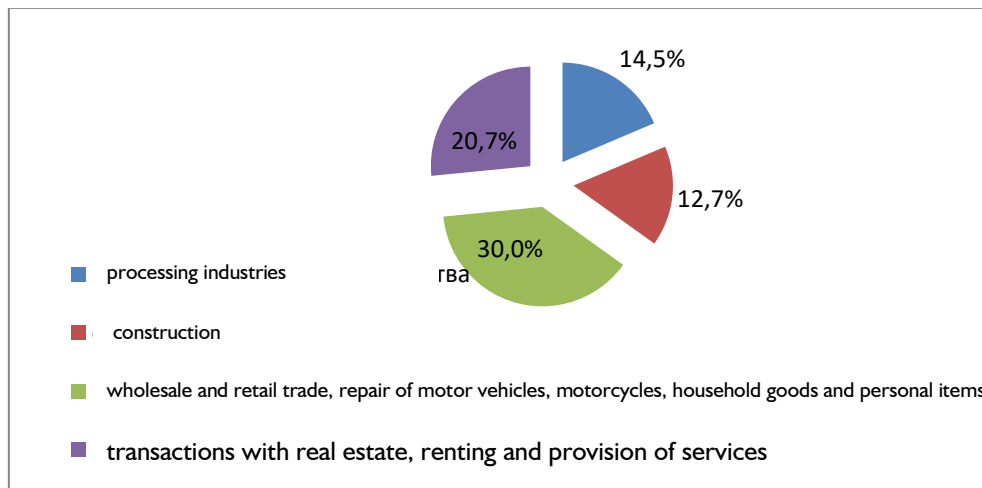


Fig. (1). - The share of small enterprises by economic activity types

With the decline of business activity in economy, the turnover of small businesses increased significantly in 2017 as compared to 2013: from 16.692.9 billion rubles up to 27586.4 billion rubles, as the peculiarity of Russian small business is its high "shadowing". According to various estimates, 30% - 50% of small business real turnover is sheltered from taxation.

With regard to the turnover of small enterprises, the situation similar to the number of small enterprises is traced. The largest share of small enterprises of Russian Federation in the total turnover of small enterprises is also represented by the enterprises of wholesale and retail trade, the repair of motor vehicles, motorcycles, household goods and personal items - 56.8%. The share of small enterprises in other types of economic activities is less than 10% for each type.

In Russian economy, the structure of small enterprise turnover was formed by wholesale and retail enterprises (55%), and the change in the situation at the domestic consumer and wholesale markets had a dominant influence on small business positions.

The general brief analysis of small enterprise activity in Russian Federation by economic activity types allows us to conclude that the share of small enterprises in such type of economic activity as "wholesale and retail trade, the repair of vehicles, motorcycles, household goods and personal items" makes the largest share in the final performance indicators of small businesses in terms of small enterprises, the average number of employees, the total turnover of small enterprises.

### Mechanism Of Small Enterprise Financing And State Support

A modern mechanism of financing and state support is needed to develop small enterprises (Zhuzhoma, 2017).

The investments in fixed assets of small enterprises amounted to 389.4 billion rubles in 2013 against 160 billion in 2017.

In 2016, according to the structure of investment in fixed assets by the types of economic activity, 28.3% of investments accounted for "construction", 19.8% - for "operations with real estate, rent and service provision," 16.6% for "processing industries", 14.8% - "agriculture, hunting and forestry", 11.7% - "wholesale and retail trade, repair of vehicles, motorcycles, household goods and personal items".

It should be noted that the investments in the fixed assets of Russian Federation small enterprises increased by two types of economic activity in 2016: "construction" and "wholesale and retail trade, the repair of motor vehicles, motorcycles, household goods and personal items" by 37.4% and 28.4%, respectively. For other types of small enterprise economic activity, they decreased the investments in fixed assets of these enterprises.

The investments in the fixed assets of small enterprises are carried out mainly through private investments, since the investments in the fixed capital of small enterprises are minimal at the expense of budget funds. In 2017, the amount of investment in the fixed assets of Russian Federation small enterprises amounted to 2 billion rubles at the expense of budgetary funds. The amount of investments from the budget funds is constantly changing. So, in 2013 the amount of budget investments in the fixed capital of small enterprises amounted to 2.3 billion rubles, and in 2015 and 2016 - 1.9 billion rubles (Table 3).

Table 3 - The volume of investment in fixed assets of Russian Federation and Primorsky Krai small enterprises in billion rub.

Activity type	2013	2014	2015	2016	2017
Investments in fixed assets - total for the Russian Federation, including:	389,4	139,0	139,0	147,5	160,0
- at the expense of budgetary funds	2,3	1,8	1,9	1,9	2,0
Investments in fixed assets - total for small enterprises of Primorsky Krai	2,4	1,3	1,4	1,3	1,3

The investments in the fixed assets of Primorsky Krai small enterprises amounted to 2.4 billion rubles in 2013, and made 1.3 billion rubles in 2017, which is less than 1% of the total investment in the fixed assets of Russian Federation small enterprises on the average.

According to the results of the research, the main objectives of investment in the fixed capital of small enterprises are the replacement of worn out machinery and equipment - 19% of organizations from the total number of small enterprises, 13% - the increase in the production capacity of small enterprises, 13% - the automation and the mechanization of the existing production process. Investors want to invest least of all in the main capital of small enterprises with the aim of new production technology introduction, energy resource saving and the creation of new jobs (Figure 2).

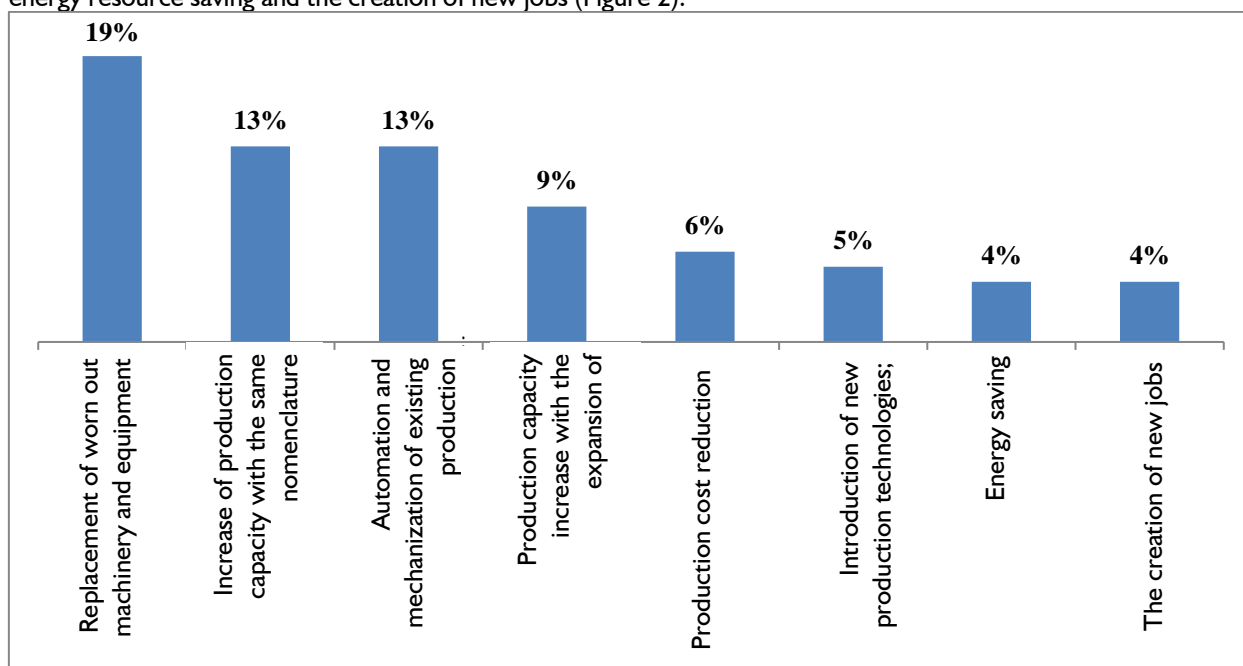


Fig. (2). - The objectives of investment in the fixed assets of Russian Federation small enterprises

The most important factor limiting the investment activity of small enterprises is the lack of own financial resources. This factor was noted by 49% of small enterprises from the total number of organizations. The second important group of factors limiting the investment activity of small enterprises is represented by such factors as a high percentage of commercial credit, an insufficient demand for products, and the uncertainty of the economic situation in the country.

### Problems Of Small Business Development In Russia

Among the problems hampering an active development of small business, it is necessary to single out a weak investment and financial and credit support from state and commercial structures. And the elimination of the unfavorable situation of small business entrepreneurs at the market of credit resources is possible through the strengthening of new mechanism role for financial, credit and investment state support of small businesses, including the development of a system of guarantees for various types of borrowing and the targeted financing of certain small business sectors.

The least important factors limiting the investment activity of small enterprises are the unsatisfactory state of the technical base and an imperfect regulatory and legal framework that regulates investment processes (Figure 3).

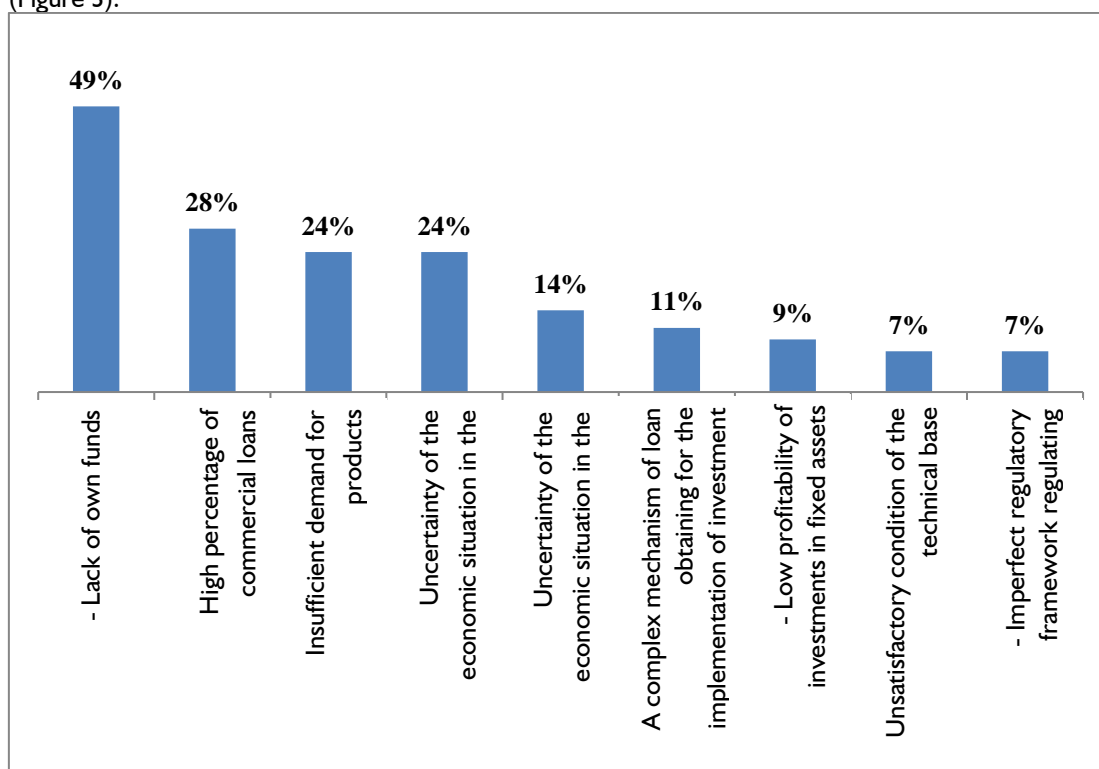


Fig. (3). - The factors limiting the investment activity of small enterprises

The analysis of small enterprise state allows us to conclude that small businesses have incentives for their development, despite significant changes in the external environment, which make an ambiguous impact on the activities of small businesses and an unstable economic situation in the country.

Despite the general reduction of small enterprise number in Russian Federation, the number of employees, the level of wages among the workers of small enterprises has increased

insignificantly, and the turnover of small enterprises both in Russia as a whole and among small enterprises of Primorsky Krai has also increased.

The volume of investment in the fixed capital of Primorsky Krai small enterprises and the enterprises of Russian Federation is increasing gradually, though not significantly, which is an essential stimulus for the development of small business.

The analysis of the literature on small business problems showed that the main problems affecting the development of small business in Primorsky Krai are the following ones:

- a poorly developed organization of small business support infrastructure. So the infrastructure for small business support in the Primorsky Territory is represented mainly by non-profit organizations that provide the assistance to small business crediting by consulting organizations that work with small business entities. All these organizations are located mainly in Vladivostok, which complicates access to the infrastructure facilities from other areas of Primorsky Krai;
- high cost of financial and credit resources. The real interest rate on loans for small businesses makes 25% - 35% approximately;
- high cost of services for the participation at international exhibitions and for the implementation of RF legislation mandatory requirements;
- high cost of certification, registration and other forms of proof of good conformity to the legislation of an importing country;
- the remoteness of Primorsky Krai from the center, in accordance with which there is a restriction on the access to financial resources aimed at the small business development;
- the lack of seed capital for the creation of a small business entity;
- a low professional level of a small business participant;
- high cost of rent for vacant production and office premises;
- disagreements in social and labor relations between an employee and an employer in the sphere of small business.

Although some of these problems are relevant in whole Russia.

The indicated problems hamper the development of small business and reduce the level of entrepreneurial activity among small business entities.

### **Prospects Of Small Business Development In Russia And Primorsk Territory**

At present, Russian Federation Government represents small business as one of the main vectors for the development of the modern economy, as they contribute to social tension reduction, the increase of employment level among population, and competition increase. In

this regard, the issue of small business development state regulation is acute one.

The analysis of scientific and legal literature related to the issues of small business development state regulation has shown that there are the following measures of small business state regulation:

- the development of a favorable legal environment;
- crediting and preferential taxation;
- financial and material support of small business support programs (Borodina V.V).

First of all, it is expedient to consider the issue related to a favorable legal environment development, since further aspects of the existence and the development of small business entities are being developed on this aspect. Normative and legal acts regulate the duties and the responsibilities of small business entities, consolidate the system of economic, financial, material and other incentives that guarantee the necessary support of small business entities, and also establish the measures to protect business entities from the external environment, also from the illegal actions by power bodies of different levels [14].

The next two measures of small business state regulation are based on the developed and approved regulatory and legal framework and make an integral part of federal and municipal programs that promote the development of small business in Russia.

In general, the legislative framework for the development of small business is very limited and contradictory. This is due, first of all, to the fact that many of the adopted normative legal acts have a framework character, since their compliance depends on other regulatory documents. The basic legal document regulating the activities of small businesses is RF Civil Code, which states the organizational and the legal forms of entrepreneurship, the procedures for the establishment, reorganization and the liquidation of enterprises, the permissible forms of transactions, the responsibility of small businesses, their rights and duties, etc (Glebova, 2008).

The second most important normative legal document regulating the activities of small businesses in the area of accounting and taxation is RF Tax Code [16].



So, the legal basis for the development and state regulation is a number of basic regulatory legal documents, such as:

- The concept of the state policy of small business support and development in Russian Federation, approved by RF State Council in December 2001;
- Federal Law No. 209-FL "On the development of small and medium-sized business in Russian Federation" issued on July 24, 2007;
- Federal Law No. 294-FL "On the protection of legal and individual entrepreneur rights during state control (supervision) and municipal control exercise" issued on November 27, 2017;
- Federal Law No. 135-FL "On Protection of Competition" issued on July 26, 2006 .

The basis for the development of small business was the adoption and the implementation of Federal Law No. 88-FL "On State Support of Small Business in Russian Federation" issued on June 14, 1995 which is not valid now.

According to the main provisions prescribed in the normative legal document, this federal law allowed the graduation of business entities for their classification as small business. Also, this law defined the terminology in the definition of small business entities, the peculiarities of small business entity state registration, and also provided for the annual adoption of federal programs for small business support. In addition to federal programs for small and medium-sized business support, this federal law provided for the development and the adoption of similar programs at the regional level, giving appropriate powers to the state authorities of Russian Federation subjects (Kashpirev,2008).

The Federal Law "On State Support of Small Entrepreneurship in Russian Federation" issued on January 1, 2008 has lost its force due to the adoption of the Federal Law "On the Development of Small and Medium-Sized Enterprises in Russian Federation" in 2007.

In 2007 they adopted new Federal Law "On the Development of Small and Medium-Sized Enterprises in Russian Federation", which facilitated the revision, the development of new or the amendment of existing regulatory legal acts regulating the provision of state support to small business entities.

The federal law "On the development of small and medium-sized businesses in Russian Federation" contains a number of provisions that

provide for the delineation of executive body powers, and also determine a number of powers that can be delegated to local self-government bodies for small and medium-sized business support.

The law regulates the development of support programs, and also contains a number of provisions on various types of support that can be applied to small and medium-sized businesses and organizations that form the infrastructure for small and medium-sized business support. This law was approved as a basic document for the preparation of new legislation at the regional level on the development of small and medium-sized businesses in the constituent entities of Russian Federation.

The Federal Law "On the Development of Small and Medium-Sized Enterprises in Russian Federation" regulates the relations that arise between legal entities, individuals, public authorities of Russian Federation, state authorities of Russian Federation subjects, local self-government bodies in the development of small and medium-sized business, determines the definitions of small and medium-sized enterprise, the support infrastructure for small and medium-sized businesses, the types and the forms of such support.

State institutions take all measures to support small enterprises, because small business, as a special sector of the market economy, is at the stage of development and requires a special attention and stimulation from the state during this period (Kashpirev,2008).

According to the law, the main principles of support for small and medium-sized businesses are the following ones:

- Declaring order of small and medium-sized business subject appeal for support provision;
- The accessibility of the infrastructure for small and medium-sized business support for all small and medium-sized businesses;
- An equal access of small and medium-sized businesses that meet the criteria foreseen by the federal programs for the development of small and medium-sized businesses, regional development programs for small and medium-sized businesses, municipal development programs for small and medium-sized businesses, to participate in relevant programs;
- Support provision with the observance of the requirements established by the Federal Law



No. 135-FL "Competition Protection" issued on July 26, 2006;

- Openness of support procedures.

Developing small enterprises need a proper analysis of their development prospects on the one hand, and they need a modern financing mechanism and state support to implement it, on the other (Zhuzhoma, 2017).

The Concept of the State Policy for Small Business Support and Development in Russian Federation is of great importance for the development of small business in Russia. This concept is the system of principles and priorities in the activity of public authorities and local self-government in the sphere of small business. The Concept formulates the main goals and objectives of state policy in this area and the basic measures to improve state support and develop small business. The concept defines the following main tasks of state policy (Glebova, 2008):

- The selection of priority (strategic) directions for the development of small business in Russia and in Russian Federation subjects;
- The development of a favorable legal environment;
- The creation of a single normative legal framework which allows to unify the approaches of federal and regional authorities to reduce and prevent the creation of new administrative barriers, as well as to reduce the tax burden;
- To introduce the responsibility of officials for actions (inactions) that impede the establishment and the operation of small businesses, and - the obligation to reimburse the damage that appeared in connection with the abuse of authorities by officials during the conduct of inspections;
- The provision of financial support by the state (the assistance in the creation of credit cooperatives, mutual crediting societies providing the funds for investment projects to small business entities on a returnable basis);
- The development of an effective mechanism of state guarantees that ensure the sharing of risks between the state, credit organizations and small enterprises;
- The introduction of typical schemes for financial leasing in the sphere of small business;
- The development of venture financing for innovative small business projects, the formation of small business infrastructure (including the development of a mechanism for installment payment provision during real estate sale to small businesses);

- The provision of information support for entrepreneurship in business support programs, as one of the priority areas for Russian business support;

- The provision of an entrepreneur positive image development and information support through the media and the promotion of small business, as one of the most important factors in the development of the economy and the stabilization of Russian society;

- The implementation of measures to ensure the access to education for the general public on the basics of entrepreneurship;

- The increase of public authority effectiveness for small business support (the reduction of any form of government intervention in small business) (Glebova, 2008).

The main tasks of the Concept of Work Activation in the Regions for the Development of Small Businesses are the determination of the main goals, objectives, priorities, directions and mechanisms for small business support at the regional and municipal levels; the development of interaction areas between federal and regional authorities of Russian Federation, business community, scientific, expert, consulting structures for the development of small business in the country (Glebova, 2008).

The main trends of state policy improvement concerning small business support and development (Glebova, 2008):

- optimization of the regulatory framework for the administration of small businesses by the state;
- the development of financial and credit support system for small business;
- the improvement of mechanisms of state municipal property use for small business system development;
- improvement of small business taxation;
- assistance in innovative entrepreneurship development;
- information support improvement;
- the strengthening and the development of personnel training system for small businesses;
- promotion of small and large business integration;
- the improvement and the development of state infrastructure system for small business support;
- the provision of market demonopolization and unfair competition suppression in relation to small businesses.

At the regional and municipal levels, the state support for small business should be carried out

in almost full compliance with the policy trends at the federal level, and the measures of small business support at the municipal level correspond to the directions of this activity at the regional level generally. The difference lies in the fact that municipalities are more inclined to small business development in accordance with the sectoral structure of their economy and in the spheres providing the production of goods and services for the population.

According to the "Strategy for the development of small and medium-sized business in Russian Federation during the period until 2030" Russia main goal is to increase the share of small enterprises in gross domestic product in 2 times, up to 40%, which will correspond to the level of developed countries (Zhuzhoma, 2017).

As a rule, the measures of small business support and development at the regional level are envisaged by regional programs for small business support.

The main instrument for small business support and development implementation are the regional targeted programs for entrepreneurship support. The programs are developed on the basis of economic indicator in-depth analysis for small business development and the study of problems faced by entrepreneurs in their activities (Kuznetsov, 2008).

Municipal programs of small business support and development are either a regional subprogram and a federal program of small business development, or strictly comply with the requirements of federal and regional programs. Another feature of small business support programs at the municipal level is that municipal programs of small business support take into account the specifics of the tasks and the features of the respective municipality development.

The programs of small business support and development at municipal, regional and federal level are calculated for a short term on the average (from 2 to 5 years) and provide for annual funding from the federal or regional budget. At the same time, the problem associated with the implementation of municipal programs for small business support and development, is an acute one as there is an insufficient level of funding at the municipal level, a weak material and technical base of enterprises, low information activity, low level of

entrepreneur education, and insufficient development of entrepreneurial infrastructure.

So, the municipal program "The development of small and medium-sized business in the city of Vladivostok" for 2014-2018 is created and implemented in accordance with the Strategy and the strategic plan of Vladivostok development until 2020. This program is "an instrument to achieve one of the main objectives of the Positioning Strategy for the city of Vladivostok as a high-level and life quality center through the city economy modernization and diversification".

The purpose of this program is to create favorable conditions for a sustainable development of small and medium-sized businesses and its impact increase on the social and economic development of the city of Vladivostok.

The tasks of the municipal program:

- the development of industrial and innovation potential of entrepreneurship;
- the development of social entrepreneurship;
- the development of business infrastructure;
- the development of financial support mechanisms for business entities;
- the development of property support for business entities;
- the creation of conditions conducive to the creation of entrepreneurial activities;
- the assistance in entrepreneurship prestige increase.

The main activities of the municipal program are the following ones:

1 Financial support of business entities, which form the infrastructure of business entity support. The given action provides the grants on the compensation of some expenses to the subjects of small and average business and the organizations forming the infrastructure of small and average business subject support.

2 Property support of business entities and organizations that form the infrastructure for business entity support. Within the framework of this measure, property support is provided to small and medium-sized businesses and organizations that form the infrastructure for small and medium-sized business support, by the transfer to municipal ownership and (or) the use of municipal property on a reimbursable basis or on preferential terms.

3 Advocacy and popularization of entrepreneurial activities is achieved through the city annual competition "Entrepreneur of the Year" and various exhibition events.

4 The expenses for function performance provision of the municipal government institution "Entrepreneurship Development Center".

The priority areas of small and medium-sized business development and support in Vladivostok include:

- innovative activity;
- processing industries;
- the rendering of services: social, housing and communal services, household (except for hairdressing and beauty salons), in the system of preschool and additional education of children, in the field of domestic tourism;
- transport and communication;
- building;
- activities in the field of crafts and folk arts and crafts;
- sports and recreational activities.

The measures of state regulation in the area of municipal program implementation are the following ones:

- the application of 0.4 coefficient, correcting the calculation of rent for the use of buildings, structures, parts thereof, located in the municipal property of Vladivostok urban district;
- the implementation of the pre-emptive right to purchase the municipal property by the subjects of small and medium-sized business leased by

them in accordance with Federal Law No. 159-FL "On the peculiarities of immovable property alienation in the state ownership Russian Federation subjects or in municipal ownership and leased by small and medium-sized businesses, and on the introduction of amendments to certain legislative acts of Russian Federation" issued on 22.07.2008 [22];

- the reduction of the corrective coefficient K2 for individual subjects of small and medium business used to calculate the single tax on imputed income (STII), in accordance with the Tax Code of Russian Federation (the coefficients are reduced for entrepreneurs of island territories and the village of Trudovoe, for the enterprises providing passenger transportation services by buses, retail trade (bread and bakery products)).

The above-mentioned measures of state regulation are aimed at the competitiveness increase of priority economic activities of the Vladivostok urban district, the entrepreneurial initiative of the population of Vladivostok stimulation, the renewal of fixed assets of small and medium-sized businesses, the development of competition and the improvement of enterprise product quality and competitiveness and individual entrepreneurs on this basis.

Resource support for the implementation of the municipal program provides the financial support for small and medium-sized businesses at the expense of local, regional and federal budgets (Table 4).

Table 4 - The financing sources of the municipal program "The development of small and medium-sized business in the city of Vladivostok" for 2014-2018"

Year	Planned total amount of municipal program financing		
	The budget of the Vladivostok Area	regional budget	federal budget
<b>Total, including:</b>	<b>142 877,55</b>	<b>41 870,00</b>	<b>167 480,00</b>
2014	27 740, 08	8 320,00	33 280,00
2015	28 322,99	8 320,00	33 280,00
2016	28 938,16	8 320,00	33 280,00
2017	28 938,16	8 320,00	33 280,00
2018	28 938,16 <sup>29</sup>	8 590,00	34 360,00

The data in Table 4 show that the main sources of municipal program financing are the budget of the Vladivostok Area and the federal budget.

The main risks of the municipal program are the following ones:

1) the risks associated with underfunding of the municipal program:

- the underfunding from the federal and regional budgets;
- budget deficit allocated from the local budget for the activities of the municipal program;

<sup>29</sup> This amount includes the costs of function provision by the Center for Entrepreneurship Development.

2) the risks associated with changes in external environment:

- the changes in Russian Federation legislation in terms of state and municipal support and small and medium-sized business development;

- the crisis phenomena occurring in the economy of Primorsky Krai, and in whole Russian Federation;

- the reduction of program activity possible relevance;

3) the risks related to the human factor:

- the distrust of business entities in terms of the municipal program measure accessibility;

- low activity of small business entities in the struggle for financial resources;

4) the risks associated with inaccurate information (statistical, tax data):

- incorrect evaluation of the prospects for small business entity development and the effectiveness of the municipal program activity implementation because of inaccurate information;

- the inadequacy of the received statistical information provided for the analysis of business entity development status.

### Summary

At present, there is a number of state support elements and measures as well as the elements and the measures of small business development in Russian Federation. However, often these measures are not very applicable to the activities of the already existing small business and are aimed primarily at the development of new small business stimulation.

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