

Artículo de investigación

Small and medium enterprises in Russia and other countries**Малое и среднее предпринимательство в России и других странах**

Recibido: 27 de agosto del 2019

Aceptado: 16 de octubre del 2019

Written by:

I.S. Pinkovetskaia³⁴

ORCID ID: 0000-0002-8224-9031

E.G. Lyubovtseva³⁵

ORCID 0000-0003-2408-1442

Diego Felipe Arbeláez-Campillo³⁶<https://orcid.org/0000-0002-9041-9563>**Ph.D. Magda Julissa Rojas-Bahamón**³⁷<https://orcid.org/0000-0003-4882-1476>**Abstract**

The aim of the study was a comparative analysis of the activities of small and medium-sized enterprises in Russia and foreign countries. The article presents the principles and concepts of entrepreneurship. The distribution of small and medium-sized enterprises by types of economic activity is considered. Data of continuous surveys of activity of entrepreneurship of Russia in 2010 and 2015 were used as initial data. A comparison of the share of small and medium-sized enterprises in the economy of Russia and foreign countries is presented. The results of the study can be used by the departments of regional and municipal authorities engaged in the formation of projects and programs for the development of entrepreneurship, including the development of entrepreneurship in those regions and municipalities. The study is able to provide the government with information on ways to increase the contribution of enterprises to the national economy.

Keywords: Entrepreneurship, small enterprises, medium enterprises, types of economic activity, number of employees.

Аннотация

Целью исследования был сравнительный анализ деятельности малых и средних предприятий в России и зарубежных странах. В статье приведены принципы и концепции предпринимательства. Рассмотрено распределение малых и средних предприятий по видам экономической деятельности. В качестве исходных данных использовались данные сплошных обследований деятельности предпринимателей России в 2010 и 2015 году. Представлено сопоставление доли малых и средних предприятий в экономике России и зарубежных стран. Итоги исследования могут использоваться подразделениями органов регионального и муниципального управления осуществляющими формирование проектов и программ развития предпринимательства, в том числе по развитию предпринимательства в тех регионах и муниципальных образованиях. Проведенное исследование способно обеспечить правительство информацией о направлениях повышения вклада предприятий в национальную экономику.

Ключевые слова: предпринимательство, малые предприятия, средние предприятия, виды экономической деятельности, численность работников.

³⁴ PhD, Associate Professor, Ulyanovsk State University, Ulyanovsk, Russia

³⁵ PhD, Associate Professor, Chuvash State University, Cheboksary, Russia

³⁶ Contador Público Universidad de la Amazonia (Colombia), Editor Revista Amazonia Investiga ISSN 2322-6307

³⁷ Docente IE Jorge Eliecer Gaitán, Universidad de la Amazonia, Colombia

Introduction

Small and medium-sized enterprises (SMEs) play an important role in the economies of most countries (Burgstaller & Wagner, 2015). Their share in the number of all enterprises and organizations in the European Union reaches about 95% and is two-thirds of the total employment in the economies of these countries (Gama & Geraldes, 2012). Compared to larger firms, SMEs have a simpler internal organization, allowing them to respond more flexibly and quickly and adapt to changes in the external environment (Lavia Lopez & Hiebl, 2015).

In today's complex global economy, entrepreneurship has become an important Avenue for sustainable competitive advantage (Wiklund & Shepherd, 2003). In the scientific literature (Antonicic, 2006) it is argued that entrepreneurship provides stable growth of production, and sustainable competitive advantages. This is especially true for enterprises operating in a rapidly changing and competitive environment. In times of economic crises with particularly high levels of market instability and complex business uncertainty, small and medium-sized businesses are able to respond effectively to emerging problems (Grewal & Tansuhaj, 2001). The objective of public policy aimed at creating an enabling environment and encouraging new entrepreneurship are discussed in the work (Baumol, 2007).

The business sector in Russia has also developed significantly in recent years. This is evident from many scientific papers, including papers by the authors of this article (Kiseleva et al., 2019; Pinkovetskaia, 2019a; Pinkovetskaia, 2019b; Pinkovetskaia et al., 2019).

With a high share of entrepreneurs in the national economy, the economy and the standard of living of the population are growing. In turn, entrepreneurial activity should be stimulated by the state through economic and legislative mechanisms. The development of small and medium-sized businesses has a direct impact on the formation of market relations: it is very important that everyone has the opportunity to make a real choice – to be an employee or an entrepreneur.

Theoretical foundations of entrepreneurial activity

By now two approaches to the functions of entrepreneurs in the market have been formed.

These approaches and the differences between them were most fully reflected in the works of F. Knight, I. Kirzner and J. Schumpeter.

In the book Knight (1921), the idea was put forward that the prerequisites for entrepreneurial activity is a combination of extremely uncertain profits, which do not have a predetermined distribution, with the ability of the entrepreneur to perceive the possibility of producing a certain product more clearly than other people (not related to entrepreneurs). In Kirzner (1973), the entrepreneur is seen as a seeker for imbalances in the current market economy. In his opinion, the entrepreneurial function is based on the search and processing of scattered, hidden from external market participants information. Kirzner pointed out that information about the production capacity, the necessary costs, the preferences of consumers of products is not subject to precise definition. The entrepreneur in his activities collects and analyzes this information. Successful entrepreneurs have an increased sensitivity to assessing the possibility of making a profit based on the current ratio of demand and consumption in specific markets.

According to Schumpeter (1934), the meaning of entrepreneurship is innovation, which provides revenue growth and cost reduction as a result of innovation. Thus the concept of innovation is considered in very broad terms, namely, the production of new goods, new methods and technologies of production, using new raw materials, materials and components, development of new markets sales of goods and services, as well as the formation of new strategies in existing markets. It is interesting to note that in the monograph (Kirzner, 1985), the author emphasized the importance of entrepreneurs having creative abilities to ensure effective activity. In general, it can be assumed that the views of Knight, Schumpeter and Kirzner on entrepreneurship, complement each other.

The entrepreneur is looking for new opportunities to generate income, because how the company operates depends on its well-being. The ability to determine, through one's own intuition, whether the products that an entrepreneur is going to offer for sale on the market will be able to make a profit acts as a key feature of the thinking of a successful entrepreneur.

The factors necessary for the production and further sale of goods or services are brought together by the entrepreneur for successful production. At the same time, the creation of your own business, requiring investment of financial resources (often significant) in a very controversial and unpredictable production of goods or services is always associated with risk for the entrepreneur. This aspect of entrepreneurial activity is considered in detail in the literature. Thus, in the work (Yates J. F., Stone, 1992) it is indicated that risk is associated with the concept of possible losses, which in General worsen the planned performance. This emphasizes the multiplicity of categories of potential results. In the paper (Astebro et al., 2014) it is concluded that in the standard utility structure, the expected profit from business activity is determined by the distribution of probabilities over various possible outcomes. The article (Veskovic, 2014) makes an important conclusion that risk in entrepreneurship is a normal phenomenon for which all participants of economic activity should prepare.

The personality of entrepreneurs plays an important role, they should be leaders. Their personal qualities influence the direction of future development of the business created by them. The decision to become an entrepreneur is determined by the approach to life and the world around us. A person who wants to become an entrepreneur must meet certain requirements and have certain personality traits. They include abilities, knowledge and skills, as well as the presence of potential. Personal qualities, according to the authors of the monograph (Veber & Srpova, 2005), include such as reliability, honesty, fairness, adherence to principles, consistency, politeness, attention, accuracy, as well as specific: determination, initiative, commitment, perseverance, independence, responsibility, hard work and social skills. According to the study (Frese & Gielnik, 2014) entrepreneurs should combine the traits of several personalities, namely investors, inventors, accountants, dispute researchers, leaders, technologists, marketers and sellers.

Accordingly, the more knowledge and skills an entrepreneur is able to demonstrate, the better. The results of a sociological survey (Ugalde-Binda et al., 2014) showed that the success factors most frequently cited by respondents were work quality and hard work, followed by the ability to adapt to change, business experience, and motivation. They also noted perseverance in achieving the goals.

In order to ensure successful business activity, strict compliance with the current legislation is necessary, including the acquisition of the necessary licenses for the production of goods and services. The processes that are necessary for the successful operation of the business are built by the entrepreneur. He is obliged to be guided in financial aspects of business, constantly to supervise all performed works, to consider cash flows and the received profit (Arustamov, 2015).

Entrepreneurship is closely connected, first of all, with the concept of small and medium-sized enterprises. These enterprises will allow, as the accumulated experience shows, to solve a wide range of problems of forming a competitive environment, providing employment, creating a middle class, as well as improving the welfare of citizens.

Industry structure of SMEs

Table 1 shows the structure of replaced jobs by small and medium-sized businesses. When developing the table, official statistical data on the results of total statistical observation for 2015 (Federal state statistics service, 2019) were used. This table describes the number of employees employed by legal entities and individual entrepreneurs in 14 economic activities. Column 3 shows the proportion of people employed in SMEs specialized in each activity. that is, the sectoral structure of job replacement in the business sector of the Russian economy. For the analysis of dynamics of change of indicators for five years in brackets the corresponding values following the results of the previous total statistical observation for 2010 are resulted.

Table 1. Distribution of the number of employees of SMEs by type of economic activity in 2015

Types of economic activity	Number of employees, thousand people	Share in the total number of employees of SMEs, %
1	2	3
agriculture	1000.2 (1389.1)	5.42 (7.28)

fishing, fish farming	41.1 (38.5)	0.22 (0.49)
mining	102.3 (92.6)	0.55 (0.49)
manufacturing	2768.0 (2729.8)	15.00 (14.31)
production and distribution of electricity, gas and water	217.1 (223.7)	1.18 (1.17)
construction	1782.8 (1877.7)	9.66 (9.82)
wholesale and retail trade	5878.1 (6477.0)	31.86 (33.49)
hotels and restaurants	719.1 (686.2)	3.90 (3.60)
transport and communications	1328.1 (1299.2)	7.20 (6.81)
financial activities	154.1 (141.9)	0.84 (0.74)
real estate transactions	3445.4 (3261.5)	18.67 (17.12)
education	44.6 (37.1)	0.24 (0.17)
health	369.7 (248.3)	2.00 (1.30)
provision of utilities, social and personal services	599.1 (581.8)	3.25 (3.05)
all types of activities of enterprises	18449.6 (19082.0)	100.00 (100.00)

Note: Developed by the authors on the basis of official statistics

According to the data in table 1, the number of SME employees in Russia reached 18.45 million in 2015. The number of individual entrepreneurs and employees was 2.7 times less than for legal entities. In 2015, the largest number of employees of small and medium-sized enterprises was in wholesale and retail trade (almost 5.9 million people). Their share in the total number of SME employees reached almost 32%, that is, almost every third employee was engaged in trade. There was also a relatively high proportion of SMEs operating in real estate (over 18 per cent) and in manufacturing (15 per cent). More than 5% was the share of the number of employees of SMEs in such activities as construction, transport and communications,

agriculture. More than 500 thousand people worked in each of the following industries: hotels and restaurants, provision of public, social and personal services. The smallest number of employees (up to 45 thousand people) took place in the enterprises of fishing (fish farming) and education.

Some indicators of SME performance

The share of small and medium-sized enterprises in the gross domestic product of different countries is of great interest. The corresponding indicators are given in table 2 according to the Institute of growth Economics (Sector of small and medium entrepreneurship, 2018).

Table 2. Share of SMEs in gross domestic product, %

Countries	Share of SMEs
1	2
Russia	21
US	50

United Kingdom	51
Germany	53
China	55
Australia	58
Sweden	58
Switzerland	59
Finland	60
Norway	61
Netherlands	63
Italy	68

Note: Developed by the authors on the basis of official statistics

Table 2 shows that in Russia this figure is very small relative to other countries and is about only 21%. It should be noted that in previous years it was even less: 20% in 2015 and 19% in 2014. According to the approved development Strategy (Strategy of SME, 2016), its share in GDP should double to 40% by 2030.

According to the Unified register of small and medium-sized businesses, which is maintained by the Federal tax service of Russia, 95% of this sector is microenterprises (with up to 15 employees and a turnover of up to 150 million rubles per year).

According to the register on November 10, 2017, a total of 5,862 million SMEs were registered in the Russian Federation. Over the last year, the growth of this indicator (chernopyatov, 2015) amounted to 1.7% (in November 2016-5.788 million).

The business sector plays an important role in the country's economy. The socio-economic development of the state directly depends on the development of entrepreneurial activity. An entrepreneur performs a social task by creating jobs, providing income to the population.

It should be noted that the state has a serious impact on the development of entrepreneurship in Russia. But its influence is not enough, because there are serious problems. The situation is particularly unfavorable in industrial production, which has a leading role in innovation. The problems of its development in recent years remain:

- Low competitiveness and innovative susceptibility of products;

- Significant depreciation of fixed assets;
- Continuing deficit of own financial resources;
- The continuing lack of investment;
- Insufficient demand of the domestic market.

Currently, there is an urgent need to solve an important task - the diversification of the Russian economy, and in this regard, the state interest in supporting entrepreneurship has intensified.

It is necessary to note the reduction of the budget of the state program on financing of small and medium enterprises. Support for this sector has been directed to:

- In 2015 - 17 billion rubles were allocated.;
- In 2016 - 12 billion rubles were allocated.;
- In 2017 - 7.5 billion rubles were allocated.

According to a survey conducted by the organizers of the entrepreneurial award "Business success" among 170 participants in November 2017, more than 50 % of respondents reported that they spent a year on the verge of survival. The survey we conducted in Ulyanovsk also confirmed this conclusion. Most of the surveyed entrepreneurs noted the presence of negative trends. Retail store owners reported that compared to 2016, the average check in stores decreased, on average, by 30%.

The impact of the crisis was also felt by those entrepreneurs who worked in the B2B sector, that is, when both parties to the transaction are commercial entities and conduct entrepreneurial

activities. The number of commercial orders fell, and in tenders there is a significant drop in prices, that is, low price becomes more important than the quality of work.

Many respondents noted the impact of the ruble depreciation on their business. So, fast food restaurants have increased foreign exchange payments for the franchise and as a result, the cost of products has increased.

In transport companies the additional costs have arisen due to the growth of prices for spare parts and fuel.

Some entrepreneurs noted that it has become easier to attract highly qualified staff. This was primarily due to the fact that many enterprises (including large ones) ceased operations in recent years.

Statistics show that there are goods and services that are always in demand. These are clothes, footwear, food, medicines, repair of cars and household appliances.

Analysis of the business climate of SMEs is given in the study conducted by the consulting company "2B Dialogue" (Tachometer, 2017). The study involved 1.5 thousand entrepreneurs in Moscow and St. Petersburg, 74% of the sample-enterprises of the service sector. The most profitable businesses in 2017 were grocery stores, child development centers and hostels. Experts explain this by the fact that the first two activities are related to the sale of essential goods for all segments of the population, and cheap hostels are a good alternative for low-income segments of the population for both domestic tourism and work trips. The lower limit of small business payback for the year was 0.9 in Moscow against 2.1 in 2015 and 2.4 in 2016. And the return on investment in 2017 was in the range of 0.2-2.4 rubles for each ruble of revenue, which corresponds to the indicators of pre-crisis 2014 (0.1-0.9 rubles). The most profitable types of business in Moscow in 2017 were grocery stores (profitability of 5 rubles per 1 RUB of investment), travel agencies (3.3 rubles per 1 rubles of investment) and pharmacies (2.5 rubles per 1 rubles of investment). The least profit was brought in 2017 in the capital cafes (0.42 rubles), clothing and footwear stores (0.43 rubles) and restaurants (0.67 rubles).

Conclusion

The analysis allows us to conclude that small and medium-sized businesses lead to the recovery of

the economy as a whole. Therefore, the best solution for Russia is a public policy aimed at SMEs.

To date, considerable foreign experience in the development of entrepreneurship has been accumulated. It is undoubtedly important and can be used in the business sector of the Russian economy. Drawing on the experience of countries with a developed stable economic system, it is possible to reach a new level of economic development. Today, the main problems of the business climate are related to the contradictory nature of communications between SMEs and the external environment - society and government.

In our opinion possible directions of overcoming obstacles:

- Strengthening the stability of the economic development of SMEs;
- Improving the legal regulation of SMEs and improving the legal culture of the population;
- The creation of a modern institutional framework of entrepreneurship;
- Improvement of state support for SMEs;
- Development of contract procurement system from small enterprises for Federal, regional and municipal needs, as well as the needs of state corporations.

The results of the study can be used in the implementation of scientific works related to the justification of the development of the business sector, the formation of measures to improve the efficiency of its activities. The practical significance of the research results is associated with the possibility of their use by units of regional and municipal government bodies engaged in the formation of projects and programs for the development of entrepreneurship, including the development of entrepreneurship in those regions and municipalities where SMEs have not received sufficient development. The study is able to provide authorities with information on ways to increase the contribution of SMEs to the national economy in accordance with the Federal strategy for SME development. In addition, the results of the work can be used in the current activities of state, municipal and public organizations related to the regulation and support of small and medium-sized enterprises in solving the problems of monitoring, assessing the current level and identifying ways to increase the role of SMEs.

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