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Key Success Factors and Barriers for Small Businesses: Comparative Analysis

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Abstract

This paper analyses the current situation of small businesses, their outlook and their problems in Europe and in Russia. The number of small businesses opened, legislative system, number of self-employed without employees, influence of bureaucratic system on small business's life, unemployment and corruption are considered in this study. The object of this paper is understanding what can modify the life of small companies. Thus the analysis of every factor is useful to understand how the economy could change, what is correct and what resolutions make the life of small businesses better. The analysis is made using data from Eurostat, Rosstat, and Fedstat (an OECD institutional website), studying how values of indicators have changed during recent years. The results clearly show that the development of small companies is correlated with the development of good institutions, a sane community and trust and optimism in economy and small business sector.

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1. Introduction

Small businesses have an important role not only in the economy, but also in social life since they compose our social fabric and can explain to us how our society is changing. This essay compares the settings in which small businesses operate, analyzing the differences among individual countries in the European Union and Russia. This study analyses situations and conditions typical of every country; therefore the paper pays attention not only to how many small businesses there are in every nation but especially to some indices that have been chosen according to a specific criterion, which examine factors that in one way or another influence the life of small businesses.

This essay analyzed the level of the legislative system, an index that OECD studies every year, because it can influence the work of small businesses; for example it shows how easy it is to have relations with foreign agents. Then it studied the number of self-employed without employees; this is important because it is useful to understand the dynamics inside the world of small businesses. Then it analysed the rules of the bureaucratic system into small

business's life, since every day a small business must interact with institutions. In addition, this paper examines the level of general and youth unemployment because it is useful to understand how the future economic situation can evolve. It can also show how every national government is working and how small businesses are answering against the on-going crisis.

In the end, the index about corruption is useful because it gives an idea about how small businesses can compete to win public works, or how they can access public funds or investments. In conclusion, this essay wants to be an overview in which the reader has a total vision of small businesses and the context in which they operate, understanding factors that can influence their life; a prospect that can help the reader to see what works and what does not, comparing one national situation with another, which is useful to create a basis for future analyses about small business.

2. Literature review

Social marginalization has declared that society is founded not only on social hierarchies, but also on different grades of social integration. Yet a different grade of social integration is created by an economical structure that is not able to grant an acceptable level of welfare to all people (Ranci, 1996). In this way the misfit is that kind of subject that fits inside a category but it is excluded from all the decisions about the enjoyment of the resources. (Gallino, 1993). Social marginalization means poverty, people who are not able to be self-sufficient, who are unable to satisfy their first needs, and that cannot increase the level of welfare of a nation. Applying this theory to economy (regarding these subjects as small businesses) gives an idea of the importance to resolve the actual economical crisis. There is inefficiency inside the economy. In some countries it is much more than in others but it is generally present, though it is improving. On the one hand, this inefficiency is probably based on the level of technology and organization of work and workers (Vinarelli, Piga, Piva, 2004), and it is probably made of an inappropriate subdivision of labour (Dosi, Marengo, 2011), on the other hand it is probably made because people do not act in order to maximize the result, so technology and allocation of resources does not affect the inefficiency (Leibenstein, 1957). The Economic Theory of marginalization declared that from these negative factors individuals are more likely to start their own business; they were marginalized misfits who became entrepreneurs as a result of a change in their previous lifestyle (Collins, Moore & Unwala, 1964). But the analysis of the last ten years shows how this process has not only stopped, but it is also working in the opposite direction. This is the reason why a lot of small-scale entrepreneurs are closing their small business and becoming unemployed. In 2009, the economical global crisis was so big it the GDP decreased -0.5%, the trade world collapsed, registering a -12% loss, and the only index that increased was unemployment. There are at least three causes of this crisis; one is attributable to finance, because in the last twenty years there was the belief that the financing debt, with huge leverage, would be absorbed by the growth of the economy; the second is an "American cause", because this country continued to increase its level of debt, reducing its savings of GDP leaving it close to zero; the third is a "geo-economical cause" that include three imbalances: USA consumes too much and saves too little, China consumes and saves too little and the EMU does not have a unitary power of decision, while having a single currency and a good economic structure (Curzio, 2010). To understand the crisis helps in understanding small business and its life, because every theory concerning small business at present must consider this problem as the context in which small businesses work.

3. Data and methodology

Small businesses are that kind of company with less than nine workers. Data about the number of small businesses that are closed or open, the general level of unemployment, the level of corporate income tax and personal income tax, are taken for European Union from the Eurostat database. Fiscal pressure, level of unemployment were known from the Rosstat and Fedstat databases, data about the number of self-employed without employees and about the legislative system are taken from the database and publications of OECD, while data on corruption are taken from publications made by Transparency International. All data about small businesses (closed or open) and about the self-employed with no employees of their own are represented in absolute value. The time line of this study takes into consideration publications of last year's data, and compares them with another previous year (usually no more than three or four years), so it is valid of every data used to make this study.

Data about income tax, personal income tax and fiscal pressure are considered in a percentage compared to the

profit of the year considered. Data about the level of general unemployment are the percentage of unemployed compared to the total amount of people who can work; people from 15 to 24 years old are considered for the level of youth unemployment. OECD made a ranking of the legislative system, involving a score from 0 (legislation very permissive) to 6 (legislation very restricted); every score is the result of a process of investigation about how national citizens and foreigners can open a new business inside the country, how difficult or easy it is for national and foreign enterprises to import and exports of goods within the determined State.

The index on corruption is taken from the non-governmental organization Transparency International. The score attributed to each nation ranges from 0 (very corrupt nation) to 10 (absolutely not corrupt nation); every score is the result of an analysis of questionnaires filled out by entrepreneurs from every country on questions related to the relationship between public and private sectors in order to access public works without using illegal expedients to be subsidized. It is necessary to underline that this organization creates its judgment based on questionnaires filled out by private entrepreneurs, which resulted in much criticism because it is based on perceptions and subjective evaluations. Every point of data is analysed, comparing the situation of a past year and compared with another most recent, so rather than a fluent analysis year after year, it is a neat comparison of two distinct years. Unfortunately, Eurostat as OECD, Rostat and Fedstat, is unable to publish data about 2015, so in this essay data from last year of publication are considered instead.

4. Small businesses in number

In Germany, during 2013 37% of the total active population worked in enterprises with more than 250 workers, while only 19.2% worked in small business (ISTAT, 2014). We must underline that the role of small businesses is fundamental for social life. For example, if we examine any province or region, the number of villages and little towns will be more than of big cities or metropolises. Inside every little urban center there are a lot of services that must be satisfied and items that must be sold, but can a big company do it better than a lot of little business disseminated throughout the province? Our evidence shows us that small companies are preferable, and the causes of these choices are more than one. First, a market composed of a lot of enterprises creates the condition for a competitive system, which in turn generates lower prices, while conversely one big company which operates in the market prepares the conditions for a monopoly. Secondly, the decentralization of economic power generates a different portfolio of items, and thus a bigger choice for customers increasing their satisfaction. It is important to underline that a workforce of many small businesses is not sufficient, because as the Russian economy shows us that even in big cities where there are a lot of food markets, the owners are still only a few big share companies, so the process of privatization which started after the end of the Soviet Union was not complete because some factors have slowed down this process. With the challenges of globalization first, and then the global crisis second, the financial and real market started to diverge in two different ways; in fact as the important contemporary Russian economist Ruslan Dzarasov said about the financial markets "if big corporations have largely cut themselves away from their national roots, this is even more the case of the system of international finance which works around the clock and crosses borders in search of profits. Within this system, huge sums of capital flow between countries in accordance with their development prospects. In fact, the financial market has become a self-contained force. Its scope is unprecedented." (Dzarasov, 2011). At the same time, the real economy is becoming weak and fragile in Russia as in the world; in specific small businesses are suffering more, because it is more difficult for them to access the global market. Every small business is different, with its unique history and mode of work, which creates the conditions to maintain different uses and traditions; a different way of thinking, in other words. It is also worth pointing out regional differences; in Italy 94.8% of the companies have less than 9 workers and 46% of the total active population works for them, and in Spain the 94.1% of companies have less than 9 workers and 38.5% of the total active population work for them. If we compare these data with the United Kingdom, for example, 46.4% of the total active population works in companies with more than 250 workers, and only 18.6% works in small businesses; we can understand how a different history and community also creates a different economical system. In Russia, the situation is a bit different because its history and economic system is different than in Europe (ISTAT, 2014). Analysing data about micro, small and medium businesses, every year there are more little businesses and fewer medium-sized businesses. We must underline that in this country the concept of small business is not new, but rather it existed in the Soviet system before; the process of liberalization which has not been concluded but needs to grow and to be accentuated, has not created a perfect setting for small business. In any case, Russian government

has a history of small businesses, and during 2010 there were 1644269 small businesses, while in 2013 there were a total of 2063126; on the other hand, during the same period the number of medium businesses decreased from 25170 to 13684 companies. One of the aforementioned problems connected with Russia is with its geographical conformity which does not permit an equal development of small businesses. In fact, during 2012 in the province of Moscow there were 241282 small businesses (during 2010 there were about 40000 companies less), while in the same year, in all the Region of the Urals there are only 183493. Surely it depends on the number of people who live in a region, but it means also that in Russia there are regions with an economy that depends on exporting raw material, slowing the process that should lead this nation to have first of all a national economy strong and self-sufficient, that is not dependent only on the price of oil and the fluctuation of the rouble. Fig. 1 explains the conformity of Russian economy in relation to the population and geographical conformity. (FWP, 2014)

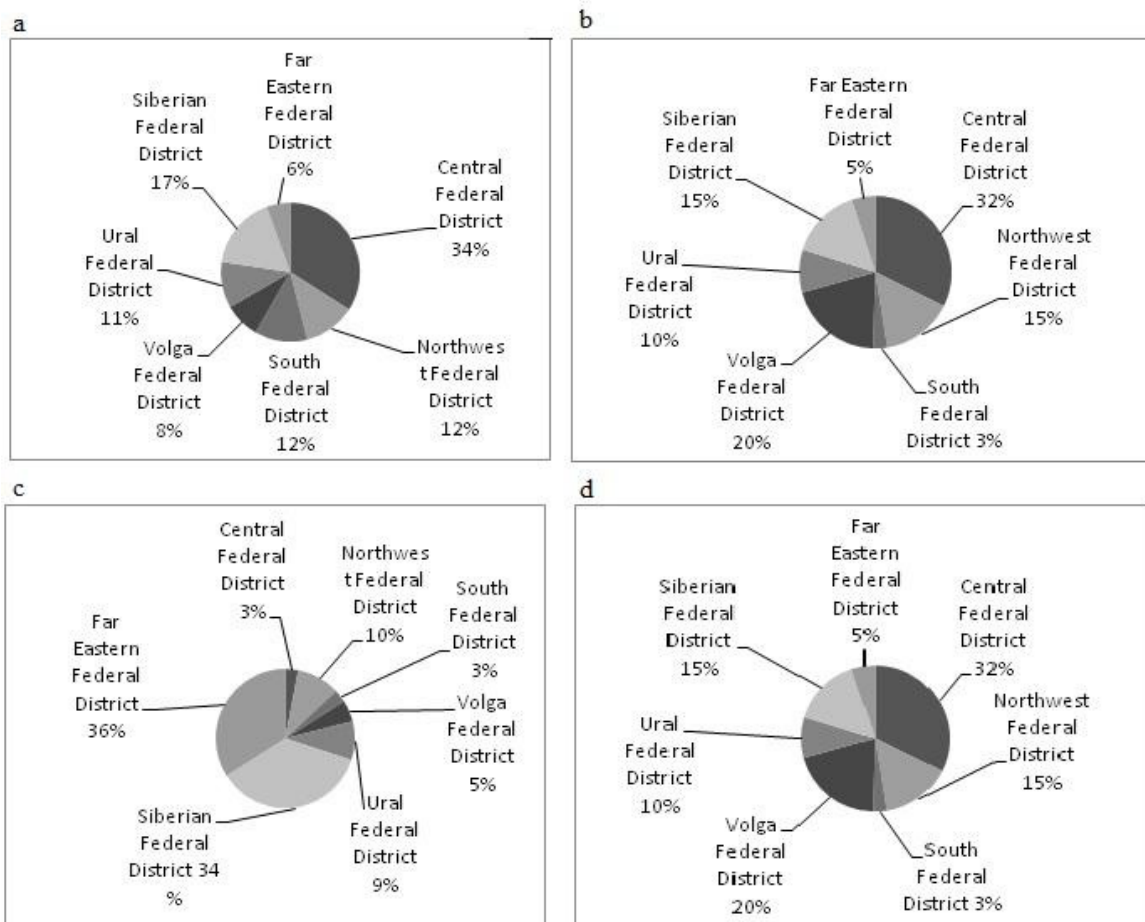


Fig. 1. (a) Percentage of population during 2010; (b) Percentage of small businesses during 2010; (c) Governmental subdivision in square kilometers; (d) Percentage of small businesses during 2013.

However the normal evolution of a national economic system must cohabit with the community, the history, the culture and tradition of its State. In Switzerland, during 2011, 66.7% of total companies had less than 9 workers, but 33.4% of the total active population worked in companies with more than 250 workers. This surely depends on some features unique to this country; first it is small, and thus easier for big companies to cover the request of the market, second its history, a united country with a direct (not representative) democracy makes people see a smaller figure (like a deputy like of governance for a big company) .

5. The legislative system

An important fact which permits small companies to continue to live is the legislative system presented to a nation. In this way, during 2013 OCED ranked the grade of legislative restrictions; the ranking goes from 0 (less restrictive) to 6 (very restrictive). In Italy this level is 1.26, in Spain it is 1.45 and in the United Kingdom 1.09. What does it mean? How does this index impact the real economy? Of course, it means that all these nations have a vested interest to simplify bureaucratic life and system of laws for small businesses, also because this crisis is makes their life difficult. It is interesting to underline that, even if at first glance the 1.45 ranking of Spain seems not much higher than the 1.09 of United Kingdom, we must consider the level of restrictive of legislation as one of the factors which permits United Kingdom to lose only 55000 small companies from 2008 to 2012, while in Spain closed more than 142000 small business from 2008 to 2012; it is sure that this result is derived from a lot of variants and situations, but one incredibly important factor is the restrictions of legislation. In addition, it is useful to show the number of small business that opened from 2009 to 2012; in Spain 18240 micro companies opened, while in the United Kingdom 29170 opened. This result becomes higher if we consider that in 2011, 94.1% of businesses in Spain were small, and in the United Kingdom the proportion was 89.5%. But if we see how the situation of this index is outside the European Union, the situation is different.

Table 1. Product Market Regulation, OECD, 2003. 2008. 2013

Criterion	Legislation level		
	2013	2008	2003
Year	2013	2008	2003
Germany	1,29	1,41	1,80
U.K.	1,08	1,21	1,10
Russia	2,22	2,69	---
Italy	1,26	1,49	1,80
Spain	1,44	1,59	1,79
France	1,47	1,52	1,77
Hungary	1,33	1,54	2,11
Poland	1,45	2,04	2,42
Romania	1,69	---	---
Lithuania	1,52	---	---
Latvia	1,61	---	---
Estonia	1,29	1,37	---

In the BRICS area, the medium level is higher than 2.50; in India it is 3.10, in South Africa 2.21, in Russia 2.22 and in China 2.86. In these nations the legislation is very restrictive, but their economy is strong and continuously growing. Because their government applied a strict protectionist policy in the past in order to preserve the national economy, it also created more problems concerning the international economy. For this reason this value is continuing to decrease, as for example in Russia it was more than 3 during the year 2000, so if now it is 2.21 it means that that State has been interested to create the conditions for a partially free market, where the rights of national economy are preserved in addition to more possibilities for foreign investors.

6. Self-employed without employees

Another important set of data that must be analyzed is the number (in percentage of those employed) of the self-employed without employees during 2012. We are also analyzing the kind of person who, as a result of the economic crisis, has made the motto "if there is not job, I have to create it for me!" The situation in Europe is not homogeneous; in Greece, 28.3% of employees are of this type, while in Estonia, the same data is only 6%. More specifically, southern Europe is characterized by a high percentage of self-employed; in fact, in Italy it is 19.9%, in Spain - 14% and in Portugal it is 18.4%; the only exception is represented by France, with a percentage of 8.4%. In the United Kingdom it is 15.1%, but then in northern Europe there are no nations with such a high percentage of this kind of company. In Sweden, the percentage is 8.4%, in Germany it is 7.3%, in Austria 7%, in Denmark it is 6.9%, and in Norway 6.8%. Outside of Europe the situation is similar to northern Europe; in fact, in the U.S.A. the percentage is 8.5% and in South Africa it is 9.1%.

This data is not accidental, but reflects different regional realities. First, the economic structure of these nations is characterized by a high percentage of little companies, as discussed earlier in the cases of Italy and Spain. In Germany and France there are more big companies and less small businesses, but this is not the only answer. One factor that has collaborated to create this situation is how people (aided in different ways by their national states) tried to answer the global economic crisis. People started to answer the crisis in the ways that they thought best for them, keeping in mind the different legislation as well as a global banking system which does not guarantee equal conditions for access to credit. The 7.3% of the self-employed in Germany can be explained by a tax policy that favors corporate companies, because in Germany the corporate income tax is now a medium of 15.83%, and tax on personal income is medially 26.04%. In Italy these taxes are almost the same (27.13% for personal income and 27.50% for corporate income), but the bank system requires guarantees that are too restrictive to be able to gain credit. There is also the problem of a sluggish bureaucracy and in the end, the average Italian is usually adverse to risk, and not in favor of investments to create big or medium business, so being self-employed without employees in Italy seems to be the first answer against crisis. In Spain, this situation is favored by a tax system that helps this kind of smaller enterprises; the corporate income tax rate in Spain is 28%, tax on personal income is 22.48%, though even about this tax we must underline that it has increased by 2.38% since 2007. But after our analysis about the self-employed without employees, the smallest kind of small business, can we affirm that it is a solution?

7. Influence of the bureaucratic system on small business's companies

It is out of discussion that any kind of beneficial action meant to fight against the global crisis and help the economy is good because it means that people have the intention to restart, but it is also out of discussion that people, workers and entrepreneurs of small companies are unable to resolve the actual hard economic situation only with their own hands. Analysing indices of Eurostat, we noticed that the number of closed small business decreased in Spain from 2009 to 2012 by 8533 companies (during 2009 305,000 micro companies closed, while in 2012 296,467), in the United Kingdom 298510 enterprises closed in 2009, but only 225770 during 2012, so it means that there are 72740 fewer companies closing; in France 20% fewer enterprises closed and in Eastern Europe the results are even more encouraging. In Romania 103067 companies closed during 2009, while only 22109 closed after 3 years, a decrease of -84%; another good result to be added is that in 2009 47247 companies opened in Romania, and in 2012 79362 (+40%). In Latvia and Lithuania the trend is similar even if it is better in Lithuania; in Latvia, the Eurostat registered 11899 companies closed during 2009, while in 2012 5817 enterprises closed their activity (so -52%); in Lithuania 26068 companies closed in 2009 and only 6453 (-76%) in 2012.

Even if there is a negative trend of closing companies, this index is worrying for the European economy. In this way, a nation that must be very worried more than others is Italy; in this country, during 2009 242980 companies closed, after 3 years this number increased by 73302, for a total of 316282 companies closed that year. There are further issues with this data if we take in consideration the medium number of days necessary to resolve the trade disputes in court are 395 in France, 394 in Germany, 437 in United Kingdom and 1185 in Italy, exactly 3 times more respectively than in France; this means that for a resolution of a credit, Italian small companies wait 3.24 years, while German and French only 1.08. This is surely not the only cause of the failure of a small business, but it is true that if a company must wait more than three years for a credit, in some cases it creates the conditions to negate the necessary liquidity to pay all expenditures as wages or materials of production; small businesses are more vulnerable to this problem, because their economical possibilities are not that great, and so they are unable to survive without credit for a long time, which is not the case for big and share companies. So we can affirm that surely a faster juridical system creates the base for decreasing the number of closed companies, but what is very important to underline is, that even if Italian people try to fight this crisis creating new kind of jobs, the national government must help and do a much bigger part in this "war" against poverty and unemployment. (ISTAT, 2014).

8. Unemployment

This index can show how government is working in a good direction about the elimination of economic crisis, because the fundamental rule of small business is to decrease unemployment, or simply to maintain it considering

the times in which we live. Another possible goal is to recreate the middle class, people who are not rich, but who are able to buy not only necessary goods, that kind of people who made the Western World a better place where you could live, eliminating the gap between rich and poor and increasing social welfare. Fig.2 shows how unemployment rate compares during 2010 and 2014. (Eurostat, 2014)

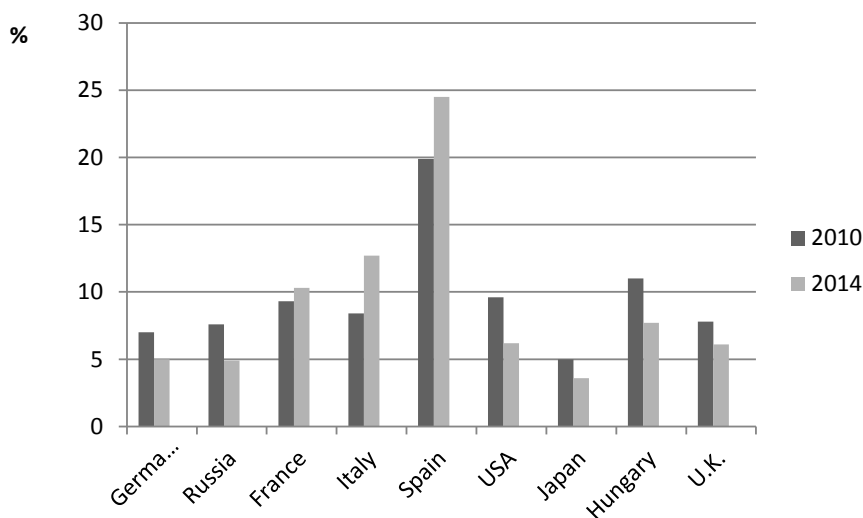


Fig. 2 General unemployment rate in 2010 and 2014

In Hungary, tax on personal income is 12.96% and had decreased by 7.31% since 2002, and 3.93% since 2011; Hungarian unemployment during 2010 was 11%, during 2014 7.7%, a decrease of -3.3%, better than Germany (-2%) and United Kingdom (-1%). As I wrote before, small business is important because it is an instrument to developed the middle class, to make people more rich and independent; so fighting unemployment means reducing the level of poor people, small business means increasing the wealth on a per capita basis. For this reason it is useful to analyze the situation in Russia. Again the BRICS countries (except South Africa, which has a 24.5% level of unemployment) are characterized by a very low level of unemployment - almost 5% - that compared with EU can give us an idea of the economic situation in these countries confronted with Europe. Anyway in Russia the general level of unemployment is continuing to decrease, during 2011 it was almost 7.6%, while on 17/10/2014 Rosstat registered a level of 4.9% (Rosstat, 2014, b). On April 2015 it increased +1%, but generally this data shows us that Russia has this level absolutely under control; the index shows that its economy can continue to grow. But even if almost everybody has a job the quality of life in Russia is not as high as in Europe. In this way I think that small businesses are an answer to this problem; the U.S.A. had an unemployment level of 6.2% during 2014, a decrease of -3.4% compared with 2010, Japan 3.6% during 2014, but in the European Union the situation is not good, because an increasing level of unemployment is generally registered.

The trend about the level of unemployment in the EU is not homogeneous, once again underlining that economy of European Union is diversified according to every State, so it means that governments of every nation have the duty to develop new reforms, first helping the real economy (i.e. small businesses) and in this sense the role of EU is only to assist what every nation is doing in this way. But how can we affirm that small businesses were more affected than large companies? Surely this global economical crisis it is devastating for all sectors in economy, but the analysis about the unemployment situation in Europe shows us that States with a higher concentration of small enterprises generally have a higher percentage of unemployment, so we can affirm that there is a correlation between small business's crisis and unemployment. In Italy and Spain, the level of unemployment during 2010 was respectively 8.4% and 19.9%, and after four years the level in Italy was 12.7% (+4.3%) and 24.5% in Spain (+4.6%); in France unemployment was 9.3% in 2010 and 10.3% (+1%) during 2014, so a different trend in respect

to Italy and Spain, but nevertheless positive. In Germany and UK the situation is very different; in Germany level of general unemployment decreased 2% during the same period (from 7% of 2010 to 5% of 2014), and in UK the decrease was 1.7% (7.8% in 2010 and 6.1% of 2014). So it is clear that small businesses are more fragile than bigger businesses, for a lot of variants that we mentioned before, but is also true that in helping and persevering little companies, States can fight the global economic crisis and permit to economy to grow again.

9. Corruption and small business

A structural component which influences the life of small business and it is closely connected with social community, is corruption, the first helper of crisis, and the first enemy of good economy and good lifestyle. The "Corruption Perception Index (CPI)" was created in 1995 by Transparency International, a non-governmental organization; it is a ranking of all nations and it shows how people of a nation feel about the level of corruption in their country, with all data referring to 2010. In the Eastern part of the European Union the situation is not so good, but it is characterized by almost homogeneous values; in Hungary the rank is 4.7, in Slovakia and Latvia it is 4.3, in Lithuania 5, the Czech Republic 4.6 and in Estonia a very good 6.5 (+1 from 2002) and in Poland 5.3 (+1,3 from 2002). But in nations where small businesses are having problems continuing to work, or to to open, the situation is not so good. For example in Italy this level is only 3.9 (in 2005 it was 6.2), which means that Italy is 67th in this ranking; in Russia the problem is higher, this country is 154th with a score of 2,1 (-0.6 from 2002-2003); in Spain the situation is a bit better than Italy and Russia, but this index is continuing to decrease from 2002. During 2010 Spain was the 30th country with a score of 6.1, but considering that it was 7.1 during 2002 and Spain was 19th, we can conclude that the situation is not so good. After 4 years (i.e. during 2014) Transparency International publicized a new ranking. In the first 10 positions there are almost exactly the same nations, with Denmark ever as 1st position, we find also Sweden 3rd Finland 4th and Norway 5th in the first 10 nations. Nations who are having an economic recovery or who have previously amortized the crisis, had an increasing position on this index; for example Germany during 2010 was 19th and now is 12th, and this index is the same (7.9); the United Kingdom was 20th during 2010 (index was 7.6), after four years UK is 14th and its index is 7.8; Belgium was 22nd and index 7.1 during 2010, while during 2014 it was 15th and index 7.6. In all Eastern Europe the situation is continuing to improve, in fact now in Poland the CPI is 6.1, Estonia 6.9, Lithuania 5.8, Hungary 5.4, Latvia 5.5, and Slovakia 5.0. But during 2014 Italy was 72nd, and the score was 3.9, so after four years nations like Brazil and Romania that had 3.9 during 2010, after four years they had 4.3, so the fight against corruption in Brazil and Romania is inversely proportional to Italy. Thus the two nations of Romania and Brazil which are continuing to develop their economy are decreasing their corruption, while the opposite is true in Italy which is increasing the number of closed enterprises. In Russia, even if the situation is very grave, institutions can do something to stop this problem; in fact Russia is now 141st and its index was 2.7 (a growth of +0.6 from 2010). The other nations of BRICS also have a lower score; China had the same value 3.6 during 2010 and 2014, in India it was 3.8 (+0.5 compared to 2010) and in South Africa it decreased by 0.1 from 2010 to 2014 where it was 4.4. A nation that was able to reduce unemployment is U.S.A., which at same time the CPI was 7.1 during 2010 and it was 23rd, and after four years the index was 7.4 and U.S.A. was 20th in this world ranking. (Transparency International, 2014)

Table 2. Corruption rate, Transparency International, 2007. 2010. 2014.

Criterion	Index CPI		
	2014	2010	2007
Year			
Germany	7,9	7,9	7,8
U.K.	7,8	7,6	8,4
Russia	2,7	2,1	2,5
Italy	4,3	3,9	5,2
Spain	6,0	6,1	6,7
France	6,9	6,8	7,3
Hungary	5,4	4,7	5,3
Poland	6,1	5,3	4,2
Romania	4,3	3,7	3,7
Lithuania	5,8	5,0	4,8
Latvia	5,5	4,3	4,8
Estonia	6,9	6,5	6,5

The correlation is evident and also logical because a big corruption means that small businesses have a difficult life with institution, while on the other hand big companies can have a easier life, but those of the middle class do not have an equal access to the economic opportunities that the government gives. For example, a study by Tanzi and Davoodi (2002), proved that in Indonesia the costs of corruption for small and medium businesses is 20% of all income per year, and in Uganda, during 1997, small businesses paid for corruption 28% of the capital invested in equipment and tools (Arnone, Iliopoulos, 2005). In Europe, corruption means how small business can have access to funds for agriculture, incentives for youth enterprise or subsidies for small businesses in difficult times. So the problem of corruption is another problem that must be resolved to help small companies, because they are the most exposed to this problem. In the context of infrastructure, as a study made from OECD in collaboration with World Bank Group declared, corruption can create the situation of a natural monopoly, and the only figures who can resolve this problem are national Institutions and the Government. It is also true that they are at same time the first figures who can create corruption, because institutions can misuse authority and demand bribes from companies to create this situation of monopoly.

10. Conclusion

The netting and the analysis of all these parameters that were analysed in this essay gives a general vision of the situation if small businesses are operating in this period or not; it is useful because during the life of an economical subject, it must interact with other subjects, so it is normal that result of an economical year, reduced to a number as income minus expenditure, is not clear enough to understand why a small business can continue to operate or has to close. For this reason the analysis of a lot of macro-economic indices is necessary, because to fully understand a specific thing, is better to start from a general setting. At first we must conclude that the situation is very heterogeneous, (different settings, different problems that require different solutions); surely it is clear and obvious, but is better to underline it, because it means that regulation of small businesses' system is at first affair of the national government and its ministry of the economy, which should know and be able to decide what is right to do.

Problems are different; indeed in Russia, for example, the problem is internal, because there is an economic system that is maturing, but factors such as a restricted free market and corruption, are increasing GDP, but not GDP per capita. This means that Russia is developing and increasing its richness, but it is not the same for Russian people. Russian Institutions are moving in this direction, but it is not enough to permit Russia to open and increase the number of small businesses. It is also true that when the Russian government will resolve these problems, the level of welfare will grow along with the level of small businesses. The situation in Europe is different. The purpose of the EU is since its creation has been to standardize economy laws in every state, and then make every economical system more uniform to can create a unique big, strong and efficient European economy. For this reason EU eliminated customs barriers and adopted the Euro as one currency (even if some nations that are in the EU did not adopt it). The problem is that the global crisis not only destroyed all that the EU tried to do in this way, but increased the gap of economic differences in the states of European Union. How else can the differences between Germany and Italy be explained? Is clear that different situations require different approaches; about Germany and the United Kingdom we can affirm that these countries are not in crisis but in economic upturn, while the same cannot be said for Italy and Spain, thus the result is that now life for small businesses in Germany is easier than in Italy, and is not possible to accept at first from EU, because the economies of states of southern Europe are based on this kind of company. In Italy, as in Spain and Greece, it is necessary to quickly enact new reforms to modernize the market, while at same times these nations must decrease fiscal pressure and renew bureaucratic institutions to help the new generation first. Data about youth unemployment are very critical, and shows us as these nations are not outside the economic crisis, and that the crisis is at first real and not only financial.

So the conclusion is that life now for small businesses is hard, more so in some nations than in others, but what is important to underline is that small businesses created the base for the middle class, and consequently it will be the middle class who will resolve the problems of this crisis, setting into motion the growth of the economy through consumption, which will lead to an increased demand for goods that will generate new market segments for new small businesses.

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