

**MSC 2020****International Scientific and Practical Conference «MAN. SOCIETY.  
COMMUNICATION»****LEGISLATIVE CHANGES IN THE REGULATION OF  
ENTREPRENEURSHIP IN THE RUSSIAN DIGITAL ECONOMY**

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**Abstract**

Rapidly changing conditions of social life, technological progress affects not only the person. The emergence of new technologies affects and changes the legal regulation of various public relations. New technologies also affect business activity. This fact should certainly be taken into account by the legislator. On the other hand, the technologies themselves are closely intertwined with state regulation of business activities. The state program for digitalization of the economy has contributed to changing the legal impact on business entities. The legislative changes in the sphere of business regulation in Russia with the adoption of the program of digitalization of the economy were analyzed. One of the features of the modern Russian economy is that digitalization of certain sectors of the economy takes place with certain characteristics and varies in pace and methods of implementation. This circumstance should be taken into account when forming the legislative framework in order for the state to act not only as a regulator of business activity, but also to be responsible for protecting the rights of entrepreneurs. Business activity should show growth in the context of digitalization. It is the change in technology that helps transform existing business models and creates potential benefits for overall productivity in all sectors of economy, including priority development sectors. The article revealed the changes in the approach of the legislator over the past years to the concept of "priority sectors of the economy".

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## 1. Introduction

The digital economy as a new reality of the modern economic system is focused on the transition from the functioning of existing markets and management systems to an economy using digital technologies in all its spheres and industries. Digitalization is an unavoidable condition for developing economies to improve their competitiveness.

According to Tatarinova (2017) the digital economy is implemented through the creation of an information system based on automated operations and the development of digital platforms that perform technological, transactional and integration tasks.

Legal regulation of digital economy institutions should be primarily aimed at providing the necessary conditions for their development, supporting innovative developments, and promoting the introduction and development of technologies by:

- defining of the concept and principles of state regulation of the digital economy;
- defining the features of the main types of activities in the digital economy, types of legal relations, subjects and objects of legal relations, legal facts possible in the digital economy, the responsibility of legal entities in the digital economy;
- establishing mechanisms for the application of special legal regimes, including with respect to legal experiments, to stimulate innovation and activities in the field of digital economy;
- creating favorable conditions for the collection, transfer, storage, processing and access to data generated in connection with the use of information technologies by individuals and legal entities;
- establishing new rules for the use of "blockchain" technologies in public administration;
- identifying possible legal regimes that regulate new facilities depending on the degree of their potential danger, creating a risk management system that includes regulation, assessment and insurance of risks associated with the use of new technologies, and so on (Bochkova, 2018a).

The potential for developing entrepreneurial activity, regardless of the country in which they operate, is enhanced by digitalization, which opens up new opportunities for transforming business models and interaction mechanisms. Digitalization creates potential benefits for overall productivity in all business sectors, including priority development sectors.

Digital business platforms facilitate access to markets, strategic resources, etc. by reducing associated costs (for example, by pooling resources, reducing information asymmetry, connecting supply and demand, etc.). At the same time, digitalization provides access to skills, for example, through online recruitment sites, outsourcing and online job rental platforms, and interfaces that connect entrepreneurs to each other (Orlova et al., 2019).

According to the SMB Group's 2017 Digital transformation of small and medium-sized businesses Survey, 48 % of small and medium-sized businesses plan to transform their businesses into a digital future. The same study found that about three-quarters of companies surveyed agree that digital technologies are changing the way they do business (Rashan, 2018).

It is worth noting that it was found that small businesses in Australia as a whole can significantly benefit from the use of mobile and Internet technologies to transform their economic activities, as well as

for the development of small and medium-sized businesses and the Australian economy as a whole (Abramova et al., 2017).

Thus, it can be argued that the digitalization of business activity is one of the priority areas that should be provided for the sustainable development of the Russian economy.

## **2. Problem Statement**

The digital economy encompasses a complex of e-business operations and e-commerce, which include the corresponding infrastructure. The digitization process involves the regulation of production, financial circulation and electronic commerce, where communication environment is using the global information network Internet (Cherdantsev & Kobelev, 2011). That is, on the one hand, the program of digitalization of the economy affects all business activities. On the other hand, the state, through various mechanisms, encourages the development of business entities in priority sectors of the economy.

In different years, priority sectors of the Russian economy were defined differently, and these were understood as both types of economic activity and basic branches of the Russian economy. Since 2000, the state has provided support to individual enterprises and companies: in 2004, strategic enterprises included joint-stock companies that operate for the purpose of ensuring the security and defence of the state; in 2008, security technologies of socio-economic significance are highlighted; in 2009, support is provided to system-forming enterprises; and since 2009, support measures have been approved in various socio-economic areas (Kapranova et al., 2014).

In accordance with the decree of the President of the Russian Federation from may 7, 2018 № 204 "On the national goals and strategic objectives development of the Russian Federation for the period up to 2024" was developed and adopted national program "Digital Russia", where one of the tasks is to create a system of legal regulation of the digital economy, based on a flexible approach in every area. The Federal project "Regulatory regulation of the digital environment" is dedicated to solving this task. This project provides for the development and adoption of certain regulatory legal acts aimed at removing barriers that hinder the development of the digital economy, including in the business sphere, that is, in fact, the formation of a new regulatory environment that provides a favourable legal regime for the emergence and development of modern technologies, as well as for business activities related to their use.

It should be noted that the following normative legal acts have already been adopted within the framework of this Federal project. These acts are shown in Table 01.

**Table 1.** Legislative acts adopted in the framework of digitalization of business activities

Legal Act	Content Of Changing
Federal law № 34-FZ of 18.03.2019 "On amendments to parts one, two and article 1124 of part three of the Civil code of the Russian Federation"	The legal status of self-executing contracts ("smart contracts") has been regulated and the concept of digital rights has been introduced
Federal law № 63-FZ of 15.04.2019 "On amendments to part two of the Tax code of the Russian Federation and article 9 of the Federal law" on amendments to parts one and two of the Tax code of the Russian Federation and certain	Benefits for value-added tax when exporting IT services are provided

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legislative acts of the Russian Federation on taxes and fees”	
Federal law № 259-FZ of 02.08.2019 “On attracting investment using investment platforms and on amendments to certain legislative acts of the Russian Federation”	The procedure for attracting investments using crowdfunding platforms has been regulated.
Federal law № 439-FZ of 16.12.2019 “On amendments to the Labor code of the Russian Federation regarding the formation of information about employment in electronic form”	Changes have been made to switch from paper workbooks to electronic records of employee information.
Federal law of 16.12.2019 № 436-FZ “On amendments to the Federal law "on individual (personalized) accounting in the mandatory pension insurance system”	
Federal law № 480-FZ of 27.12.2019 “On amendments to the basic legislation of the Russian Federation on notaries and certain legislative acts of the Russian Federation”	Obtaining notary services has been simplified by digitalizing individual procedures and introducing the possibility of biometric identification of recipients of such services.
Federal law № 476-FZ of 27.12.2019 “On amendments to the Federal law" on electronic signature” and article 1 of the Federal law “On protection of the rights of legal entities and individual entrepreneurs in the exercise of state control (supervision) and municipal control”	The system of certification centers has been reformed as guarantors of safe and reliable use of electronic signatures. The institution of a trusted third party has been created and it is possible to use a "cloud" electronic signature.
Federal law № 478-FZ of 27.12.2019 “On amendments to certain legislative acts of the Russian Federation regarding the introduction of a register model for providing public services for licensing certain types of activities”	
Federal law № 496-FZ of 27.12.2019 “On amendments to the Federal law “On ensuring the uniformity of measurements”	The transition to the "register" model of providing public services in the field of licensing and registration of results of works (services) in the field of ensuring the uniformity of measurements is fixed

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The State Duma is also considering draft laws on digital interaction when concluding insurance contracts, on conducting an experiment on switching to electronic personnel document management, on digital financial assets, etc., as well as draft laws on regulatory "sandboxes", on further digitalization of interaction with the courts, changes to the legislation on personal data (in terms of depersonalization of personal data, improving the procedure for working with consents to the processing of personal data).

### 3. Research Questions

To determine the list of priority sectors of the economy and conduct further analysis of the impact of digitalization on the legal regulation of business, let's turn to the legal acts regulating these issues. In the Presidential address dated 20.02.2019 "Message of the President to the Federal Assembly", strategic priorities for the development of the Russian economy were highlighted, among which the following draw attention:

- faster growth of labor productivity based on new technologies and digitalization, the formation of competitive industries and as a result-an increase in non-resource exports by more than 1.5 times in 6 years;

- improving the business climate, increasing investment;
- reduction of infrastructure restrictions for economic development, to unlock the potential of regions;
- training of personnel, creation of a powerful scientific and technological base.

Resolution of the Government of the Russian Federation of 30.12.2018 № 1764 (ed. from 21.05.2019) "On approval of the Rules for granting subsidies from the Federal budget to Russian credit organizations to compensate for their lost income on loans issued in 2019 - 2024 for small and medium-sized businesses at a preferential rate" № 1764 defines 17 priority activities (agriculture, manufacturing, energy production and distribution, tourism, information and communication, transportation and storage, health care, education, water supply and sanitation, hotels and catering, culture and sports, professional, scientific and technical activities, activities in the sphere of household services, retail trade). These types of activities are subject to the rules for granting subsidies for granted preferential loans issued to small and medium-sized businesses.

At the same time, the Ministry of economic development independently determines the priority sectors of the economy that are targeted by project financing programs and financial support for small and medium-sized businesses, and Russian regions and municipalities have the right to approve a list of priority sectors in order to support business activities.

This is not a complete list of legal acts that define priority industries (types of activities) and sectors of development of the Russian economy, but the content of which varies. Priority sectors of the economy are also defined in the Decree of the Government of the Russian Federation of December 30, 2017. № 1706 "On approval of the Rules for granting subsidies from the Federal budget to Russian credit organizations to compensate for their lost income on loans issued to small and medium-sized businesses for the implementation of projects in priority sectors at a preferential rate", according to which thirteen priority sectors are named.

Thus, in different legal acts is recognized as a priority in different sectors of the economy. In addition, it is noteworthy that the industries represented by the statistical collections of Federal State Statistic Service, government Decree № 1706 and the all-Russian classifier of economic activity codes do not relate to each other.

Thus, the research questions were formulated based on the fact that the factors hindering the development of the digital economy in Russia are:

- the lack of a sufficient legal framework for regulating it technologies;
- the existing programs and roadmaps for digitalization of certain sectors of the economy are not sufficiently developed.

#### **4. Purpose of the Study**

The development of the digital economy is undoubtedly a powerful lever for increasing the country's competitiveness, improving the quality of life of citizens, ensuring economic growth, and, finally, national sovereignty. This is why the digital economy has become a priority trend in the socio-economic development of the Russian Federation (Demchenko et al., 2019; Golovchenko, 2019). This provision is updated in the messages of the President of the Russian Federation to the Federal Assembly of the Russian

Federation dated December 1, 2016, March 1, 2018 and February 20, 2019. The legal basis for the formation of the national digital economy is the Constitution of the Russian Federation and Federal law № 172-FZ of 28 June 2014 "On strategic planning in the Russian Federation", the national security Strategy of the Russian Federation, approved by decree of the President of the Russian Federation of December 31, 2015 № 683, the development Strategy of the information society of the Russian Federation for 2017-2030, approved by decree of the President of the Russian Federation of May 9, 2017 No 203, the program "Digital economy of the Russian Federation", approved by order of the Government of the Russian Federation of July 28, 2017 № 1632-p.

The program for digitalization of the economy, approved by the government Decree of 28.07.2017. № 1632-R, which has already become invalid, and the national program adopted in accordance with presidential decree No. 204 of May 7, 2018 "On national goals and strategic objectives for the development of the Russian Federation for the period up to 2024" determine that the goal of digitalization of the economy is to create a system in which digital data is a key factor of entrepreneurship and interaction between business, science, the state and citizens, as well as improving competitiveness both on the world market and in certain sectors of the Russian economy.

A distinctive feature of the Russian economy is that digitalization of various industries, including priority ones, varies, which should certainly be taken into account when forming the legal framework. And in this case, the state is not only a regulator, but also a subject responsible for protecting entrepreneurs (Duguzheva & Simaeva, 2019).

Accordingly, legal regulation at the initial stage should be evaluated for relevance to the regulatory models used. The object of the research is social relations arising in the process of legal regulation of business activities in the conditions of digitalization of the economy.

The purpose of the study is to identify factors that hinder the digitalization of economic activity of entrepreneurs and develop proposals aimed at improving legal regulation in order to create conditions that contribute to the further digitalization of priority sectors of the economy.

The purpose of the research identified the following tasks:

- identify priority sectors of the Russian economy in order to develop entrepreneurship;
- analyze changes in legal regulation in the context of digitalization of priority sectors of the economy;
- identify factors that hinder the development of entrepreneurship.

## **5. Research Methods**

The methodological basis of the research is a set of general scientific methods, namely: analysis, synthesis, deduction, induction, and particular methods of cognition. The reliability and validity of the results obtained in the course of the study is achieved through the comprehensive application of research methods in their relationship and interdependence.

For example, a 2018 study that highlights the intensity of use of IT technologies in the business environment revealed a weak spread of RFID technologies, which refers to a method of automatic identification of objects, in which data stored in so-called transponders and ERP systems are read or written using radio signals - an organizational strategy for integrating production and operations, human resources

management, financial management, and asset management, focused on continuous balancing and optimizing enterprise resources through a specialized integrated application software package that provides a common data and process model for all business areas (Khoroshavina et al., 2018).

**Table 2.** Intensity of use of IT-technologies in organizations, depending on the type of economic activity

Type of business activity	Broadband Internet	Cloud Services	RFID Technology	ERP-system	Electronic sales using special forms posted on the website
Total	80,5	20,5	5,8	17,3	12,6
Extraction of minerals	88,8	17,7	10,3	24,5	7,3
Manufacturing industry	91,3	23,2	8,7	22,1	19,3
Production and distribution of electricity, gas and water	80,1	16,2	4,4	13,3	9,4
Construction	85,0	21,6	5,6	8,1	9,7
Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal items	91,6	25,7	7,8	32,6	21,3
Hotels and restaurants	75,3	27,5	7,5	12,2	17,9
Transport	72,9	16,5	6,2	14,4	9,8
Communication	89,9	31,2	8,9	33,6	24,8
Real estate transactions, rentals and services	69,9	16,9	3,2	7,3	5,1

Thus, in the absence of data on the development of digital technologies by business entities, the general understanding of the use of technologies, based on the data presented in table 2 [8], is obvious. Therefore, the priority areas for the development of digital technologies in business entities are formulated quite justifiably, which is due to the increase in the profitability of business organizations and the strengthening of their competitive advantages.

Of course, digitalization is a determining factor that will ensure the sustainable development of entrepreneurship in priority sectors of the economy. For the further development of entrepreneurial activity, which is one of the strategic directions of the state's economic policy, certain conditions are necessary in which this activity would develop, acting as a driver of economic development, on the one hand, and

meeting the needs of an individual in the implementation of such activities, on the other hand (Bochkova, 2018b).

According to the report "Broadband access: the level of distribution in Russia and its regions" in the Russian Federation, only 88.7% of all organizations use the Internet, including: 18.77% have access to broadband; 87.6% use e-mail; 62.3% are connected to local computer networks; 45.9% have their own websites. This fact has a negative impact on the competitiveness of Russian entrepreneurs, and requires the activation of entrepreneurs' activities aimed at increasing the use of information and communication technologies. Otherwise, Russia will remain in 41st place according to the international network readiness index (Morozyuk et al., 2017).

In general, we can state the fact that the process of digital transformation of entrepreneurship has begun in Russia. Thus, a digital enterprise is an enterprise that has transformed both production, customer relations, and company management methods based on a broad application of digital technologies, while being constantly open to innovation and able to adapt quickly to them (Simaeva et al., 2018; Ustinova, 2019). But most businesses remain traditional, using only some digital technologies and not reworking the entire business structure.

## **6. Findings**

The main reasons hindering the development of the digital economy are the imperfect regulatory framework, low Internet bandwidth per user, and low level of digital technology application in business.

Of course, the spread of broadband networks in remote and sparsely populated areas of the Russian Federation is associated with additional costs, due to which private businesses are not ready to invest financial resources in this direction of development of the digital economy.

Changes in legal regulation define the following tasks:

- creating a legal and regulatory framework that would not only collect, store and process information, but also protect it from attacks, as well as respect the interests of subjects of the digital economy;
- improvement of antimonopoly legislation and the practice of innovation;
- development of a mechanism for legal protection of consumers in accordance with the new business requirements;
- creating a new system for processing statistical information;
- creating an ecosystem to intensify the digitalization of the economy.

Civil legislation should establish a separate status for electronic transactions, and to implement transactions in digital format, it is necessary to separate the concepts of digital offer and digital acceptance, expand the list of civil law objects by including the terms "information" and "digital financial assets".

Undoubtedly, the advantages of the digital economy are electronic document management, which allows to speed up the processes of relationships, as well as remote mode, which saves time for entrepreneurs; simplification of advance payments; automation of state control and supervision processes, which reduces the corruption and bureaucratic component.



## 7. Conclusion

Further legal regulation of business activities in the context of digitalization of the economy in Russia should be aimed at reducing certain restrictive administrative barriers while maintaining constant monitoring to preserve the balance of interests of society, entrepreneurs and end users of digital services. Such administrative barriers and obstacles can be both barriers to the entry of new participants to the market or the withdrawal of a new product, and the introduction of new developments.

It is also necessary to provide for co-financing of broadband networks at the expense of budget funds in existing programs for the digitalization of the economy, which will complement the provisions provided for by the National technology initiative and the strategic planning documents adopted in recent years in the field of digital economy development.

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