

SCTCMG 2021
International Scientific Conference «Social and Cultural Transformations in the Context of
Modern Globalism»

ENTREPRENEURIAL ACTIVITY DEVELOPMENT IN THE
RUSSIAN ECONOMY: DYNAMICS AND FEATURES

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Abstract

For a modern market economy, entrepreneurial activity is the most important factor in the growth of the population's well-being. The development of market processes in the Russian Federation contributed to the revival of entrepreneurship, organically linked to the market. Today, in economically developed countries, entrepreneurial structures account for most of all forms of organizations. In modern Russia, the state also retains only a part of organizations and enterprises. In the course of privatization, many enterprises were transferred to private ownership. Moreover, the number of private enterprises is growing all the time. Support and development of small businesses are becoming increasingly important for the socio-economic development of the country. This circumstance is because small businesses solve significant social and economic problems. Employment growth is of particular importance among these tasks. Significant is the Document on Small Business Policy in the European Union, presented in 1995. According to this document, targeted assistance to small businesses is considered the most profitable way to create new jobs. State support for this type of business in various countries of the world is carried out in the form of concessional lending, creation of support funds, permission to use accelerated depreciation, etc. This situation requires increased attention on the part of the state to solving problems of creating the necessary conditions for the effective functioning of small business structures. As the world experience shows, small business activity is impossible without appropriate economic, political, and legal conditions.

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Keywords: Government support, entrepreneurship, small business, Russia, employment, socio-economic development



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1. Introduction

In the modern economy, entrepreneurial activity is the primary source of increasing the material well-being of the population. An entrepreneur, by his characteristics, performs the following functions:

- carries out on the most favorable conditions the coordination of production resources for their effective use;
- ensures the growth of the influence of entrepreneurial activity in creating the national product and income;
- contributes to a more efficient and complete satisfaction of the needs of the population in various goods and services;
- develops innovative activities;
- provides people with jobs and income. Entrepreneurship requires a solid knowledge of economics, determination, business acumen, and a willingness to take risks.

However, it is also important that an entrepreneur has such qualities as the ability to be creative, extraordinary thinking, which makes it possible to consider entrepreneurship as a separate factor of production.

2. Problem Statement

Explore the processes of entrepreneurship development in the Russian economy.

3. Research Questions

The essence of entrepreneurship as a factor of production and its significance for the modern world is considered. The features of entrepreneurship development in the Russian economy are investigated.

4. Purpose of the Study

This research aims to consider the content and significance of entrepreneurial activity for the socio-economic development of modern states to study the dynamics and features of the development of entrepreneurial structures in the Russian economy.

5. Research Methods

This scientific research was carried out using statistical analysis methods, comparative analysis, and functional analysis following the principles of scientific objectivity, consistency, and chronological sequence.

6. Findings

In the 18th century, the term "entrepreneurship" was first used by Richard Cantillon, an English banker and economist. Cantillon used the term "entrepreneurship" to define the economic activity in

which, under conditions of risk, there was a correspondence between supply and demand. Moreover, the entrepreneur was a person who purchases the means of production in the market, intending to convert them into capital. At the same time, entrepreneurial activity was considered risky since the market price of products created by the functioning of capital and intended for sale on the market at a price higher than its cost was not known in advance (Rakoti, 2001). In the Middle Ages and throughout the 17th–19th centuries, the prevailing opinion was that entrepreneurial activity aims to profit through a rational combination of production factors and that risk is its inherent quality. Since the 20th century, innovation has become the dominant feature of this phenomenon. This idea is especially vividly presented in the works of A.I. Schumpeter.

In the formation of certain types of entrepreneurship, the following features of an economic and legal nature as the status of the subject of property rights are important: the method for forming the property of economic entities, the content of property rights exercised by them, etc. In addition to the above differences, the following general properties are observed in entrepreneurial systems:

- entrepreneurial systems are part of typical self-organizing systems;
- it is impossible to describe the development trajectories of entrepreneurial systems linearly;
- when determining the dynamics of the development of entrepreneurial systems, they are presented as one whole.

Entrepreneurship is characterized by such important concepts of synergetics as the openness of the system, self-organization, and self-movement, the constant exchange of information with related systems. When studying entrepreneurial systems, it is possible to trace in their development a waveform with alternating cycles of chaos and order. In contrast, the desire to establish order in this system can lead to stagnation in the economy.

There are two primary forms of entrepreneurial activity – private and state entrepreneurial activity. Certain restrictions affect the processes of development and self-development of the system in the presence of these primary forms. For example, state entrepreneurship is strongly influenced by a higher-level system, especially at points of bifurcation (separation) (Muravyov et al., 2001).

Motivation is an important condition for the development of entrepreneurship. Economic motives were dominant in the 19th century. In the future, economic motives give way to socio-psychological motives. Socio-psychological motives are manifested in the fact that the entrepreneur's income is often not higher than the salary of a highly qualified employee (Gishkaeva, 2013).

It should be noted that the degree of development of entrepreneurial qualities is largely determined by nationality. Entrepreneurial qualities are the need for scientific and technological achievements, personal values, the determination to take risks, the belief in the ability to influence the course of events. This opinion belongs to some scholars, one of whom is the most prominent representative of the historical school V. Sombart. Thus, scientists link the nation's mentality with its residents' natural, climatic, and geographical conditions. Let us turn to the ideas of the Russian philosopher. N. F. Fedorov believed that the formation of the melancholic mentality characteristic of Russians was influenced by the vast expanses of the Eurasian space, which, while not contributing to the development of perseverance, at the same time stimulated daring among the people. I.N. Klyuchevsky wrote in "Course of Russian History" that the variability of the weather, the short Russian summer, the difficulties that have to be overcome in the

struggle with harsh reality led to the development in a Russian person of such qualities as isolation, self-doubt, caution, the habit of looking back more than forward, maneuvering and hesitating (as cited in Belokrylova, 2002).

In modern economic science, it is customary to consider many different theories of entrepreneurship, which can be divided into "active" and "passive." "Active" forms of entrepreneurship are ascribed to be innovative, while for "passive," it is more customary to limit themselves to the presence of the risk of uncertainty in entrepreneurial activity than to note its innovativeness.

The emergence of market structures in the Russian Federation has also revived entrepreneurship, which is organically linked to the market. The revival of entrepreneurial activity in Russia takes place in the late 80s of the XIX century with the adoption in the USSR of laws "On individual labor activity" of November 19, 1986, "On cooperation in the USSR" of May 26, 1988. In 1987, cooperatives appeared and began to develop in the countries actively, which in 1989 alone increased 2.6 times, exceeding 102 thousand on January 1, 1990. Moreover, precisely one year later, by January 1, 1991, the number of cooperatives had already reached 132 thousand (Gubin & Parashchuk, 2003). In this direction, other laws were subsequently adopted as the RSFSR Law "On Enterprises and Entrepreneurial Activity" of December 25, 1990, the USSR Law of April 2, 1991 "On the General Principles of Citizens' Entrepreneurship in the USSR," and other documents (Muravyov et al., 2001).

Today, entrepreneurship, widely spread in the states of the market economy, makes up most forms of organization. In Russia, with the development of market processes, millions of entrepreneurs and owners have also appeared. As a result of privatization, only a part of organizations and enterprises remained with the state. Other enterprises have become private property, and their number is increasing all the time, both in absolute and relative terms.

In 2019, with a total number of enterprises and organizations of 3826.9 thousand: the share of private property reached 85.2 %; 2.5 % accounted for state property; 4.8 % of the total number of enterprises and organizations were municipal property, and 3.5 % was the property of public and religious organizations (associations) and other forms of ownership, including mixed Russian, property of state corporations, foreign, joint Russian and foreign (Rosstat, 2021).

In 2000, out of the total number of 3346.5 thousand enterprises and organizations in the country: 75.0 % were privately owned, state property reached 4.5 %; 6.5 % were municipal property; 6.7 % were the property of public and religious organizations (associations) and other forms of ownership, including mixed Russian, state-owned corporations, foreign, joint Russian and foreign.

Table 01 shows data on the number of organizations and enterprises in the Russian economy over the past few years.

Table 1. The number of enterprises and organizations in the Russian economy by type of economic activity (at the end of the period, thousand)

	2017		2018		2019		2020 (II quarter)	
	thousand	%	thousand	%	thousand	%	thousand	%
Total	4561.7	100	4214.7	100	3826.9	100	3708.2	100
Types of economic activity:								
agriculture, forestry, hunting,	1294	28.4	1154	27.4	1029	26.9	996	26.9

fishing and fish farming								
mining	17.6	0.4	17.2	0.4	16.9	0.4	16.9	0.5
manufacturing industries	331.6	7.3	309.8	7.4	286.6	7.5	278.9	7.5
provision of electricity, gas and steam; air conditioning	23.9	0.5	22.5	0.5	21.1	0.6	20.6	0.6
water supply; water disposal, organization of waste collection and disposal, activities to eliminate pollution	28.2	0.6	26.1	0.6	24.2	0.6	23.5	0.6
building	493.2	18.8	474.9	11.3	439.0	11.5	428.1	11.5
wholesale and retail trade; repair of motor vehicles and motorcycles	1465.1	32.1	1280.2	30.4	1084.2	28.3	1025.1	27.6
transportation and storage	256.5	5.6	246.1	5.8	224.2	5.9	218.7	5.9
activities of hotels and catering establishments	102.9	2.3	96.4	2.3	91.0	2.4	90.1	2.4
activities in the field of information and communication	134.9	3.0	126.4	3.0	116.2	3.0	113.0	3.0
financial and insurance activities	84.2	1.8	73.8	1.8	64.8	1.7	62.2	1.7
real estate activities	348.2	7.6	334.4	7.9	320.6	8.4	317.0	8.5
professional, scientific and technical activities	382.7	8.4	355.0	8.4	326.8	8.5	317.7	8.6
administrative activities and related additional services	173.1	3.8	165.0	3.9	153.2	4.0	148.5	4.0
public administration and military security; social security	94.1	2.1	91.4	2.2	89.2	2.3	87.8	2.4
education	136.8	3.0	132.1	3.1	128.3	3.4	126.9	3.4
activities in the field of health and social services	82.8	1.8	83.0	2.0	82.5	2.2	82.7	2.2
activities in the field of culture, sports, organization of leisure and entertainment	80.3	1.8	77.7	1.8	75.8	2.0	75,3	2.0
provision of other types of services	193.6	4.2	185.6	4.4	178.3	4.7	-	-

Source: Compiled by the author based on Rosstat data.

Analysis of the data (Table 01) indicates that from the end of 2017 to mid – 2020, the total number of organizations and enterprises decreased by about 19 % in the Russian economy. At the same time, such dynamics were observed in all the types of economic activity presented. The largest number of enterprises was concentrated in such areas as wholesale and retail trade, repair of motor vehicles and motorcycles. The data of enterprises was approximately 27.6 % at the end of the first half of 2020. And the smallest number of enterprises was concentrated in such an industry as mining. The share of such enterprises was approximately 0.5 % of the total number of operating companies in the country.

Table 02 contains data on the turnover of organizations in recent years in the Russian economy.

Table 2. Turnover of organizations in the Russian economy by type of economic activity (at actual prices)

	2017		2018		2019	
	RUB bln	%	RUB bln	%	RUB bln	%
Total	158778.0	100	191813.3	100	201315.5	100
Types of economic activity:						
agriculture, forestry, hunting, fishing	2720.4	1.7	3160.7	1.6	3418.0	1.7

and fish farming						
mining	11688.3	7.4	17998.2	9.4	18134.9	9.0
manufacturing industries	40502.2	25.5	48639.2	25.4	49196.4	24.4
provision of electricity, gas and steam; air conditioning	8995.8	5.7	9783.9	5.2	9985.3	5.0
water supply; sewerage, waste collection and disposal, activities to eliminate pollution	1008.4	0.6	1177.5	0.6	1198.8	0.6
building	6796.2	4.3	7424.8	3.9	7617.6	3.8
wholesale and retail trade; repair of motor vehicles and motorcycles	57830.4	36.4	72321.2	37.7	78252.0	38.9
transport and storage	10870.7	6.8	12243.1	6.4	13476.5	6.7
activities of hotels and catering establishments	1137.6	0.7	1275.1	0.7	1372.5	0.7
activities in the field of information and communication	3437.6	2.2	3989.9	2.1	4228.1	2.1
activity on operations with real estate	2356.6	1.5	2994.5	1.6	3087.1	1.5
professional, scientific and technical activities	4826.9	3.0	5560.2	2.9	5333.8	2.6
administrative activities and related additional services	1234.0	0.8	1322.3	0.7	1517.4	0.8
public administration and military security; social security	124.8	0.1	124.1	0.1	132.5	0.1
education	534.2	0.3	562.7	0.3	613.2	0.3
activities in the field of health and social services	2157.0	1.4	2650.9	1.4	2984.1	1.5
activities in the field of culture, sports, leisure and entertainment	224.8	0.1	269.5	0.1	311.0	0.2
provision of other types of services	286.1	0.2	291.0	0.2	434.5	0.2

Source: Compiled by the author based on Rosstat data.

According to the data (Table 02), for the types of economic activities presented, the most significant turnover in current prices for the years under consideration was observed in the sphere of wholesale and retail trade and repair of motor vehicles and motorcycles. The second in terms of turnover is such a type of economic activity as manufacturing. Mining is in third place.

Support and development of small businesses are of great importance in the social and economic development of the state. In all countries, the financial infrastructure of small and medium-sized businesses is considered to be the most important part of the national economy. In this regard, the authorities of many countries do their utmost to promote the development of small businesses, which leads to an increase in employment. In the process of managing the development of territories, the activity of entrepreneurial structures is currently taken into account. At the same time, an important factor at the local level for municipalities is the activity of entrepreneurial structures classified as small businesses. According to the Document on Small Business Policy in the European Union, presented in 1995, targeted assistance to small businesses is seen as the most profitable way to create new jobs (Toreev & Voronovskaya, 2002).

There are various directions in which state support is carried out for this type of activity, among which one can single out: concessional lending; creation of support funds; providing the possibility of applying accelerated depreciation, which can be twice as high as the norms established for the

corresponding types of fixed assets. However, the main goal of the implemented policy in the framework of supporting entrepreneurship should be to establish a balance between the interests of the state and business and increase the competitiveness of small and medium-sized businesses (Azieva, 2019).

It should be noted that state support for entrepreneurship, carried out in developed countries using various methods (prices, benefits, subsidies, government orders). This activity aims to create a favorable business climate to stimulate the use and diffusion of new technologies and develop entrepreneurial abilities and technological progress. Also, state support for enterprises contributes to improving the legal culture of society, which is not a new practice for Russia. So, for the development of industrial entrepreneurship, even during the time of Peter I, such special bodies as the Berg Collegium and the Manufacturing Collegium were formed, whose activities were aimed at developing various programs to support the development of the industry (Gryadov, 2003). To a large extent, these programs relied on applying economic measures, such as exemption from public service, providing entrepreneurs with interest-free loans, providing support in obtaining means of production, providing benefits on taxes and duties, assistance in obtaining guaranteed orders, and other activities. The Code of Russian Businesspeople of 1912 is still relevant. This code proclaimed among the main principles of the then business ethics respect for power, honesty, truthfulness, respect for the right of private property, love and respect for a person, fidelity to the word, living within one's means, purposefulness. The volume of foreign investments in the Russian industry accounted for no more than 9–14 % of the total industrial capital. According to this indicator, Russia did not differ from developed European countries (Gryadov, 2003).

The emergence and development of entrepreneurial structures in the country have led to the emergence of many new jobs. On average, an entrepreneur who creates a cooperative or a small enterprise can provide jobs for up to 20 people (Savchenko & Kokina, 2000). In the Russian economy, small business as a subject has existed for more than twenty years, playing an increasingly significant role in the country's economic development. The Federal Law "On State Support of Small Business of the Russian Federation," which includes individuals engaged in entrepreneurship without forming a legal entity, was adopted in the country on June 14, 1995.

With the beginning of the development of market processes, the role of small business, despite the announced measures to stimulate it, remained very low in the Russian economy. Among the Russian regions, there was a significant differentiation in the level of development of small businesses about ten times, so the largest share of small businesses was in the Central Federal District, while the smallest share of small businesses was in the Far Eastern Federal District (Aliev, 2006). In Table 3, we will consider the degree of development of small business entities in the regions of Russia by the beginning of the 2000s.

Table 3. Classification of the 79th Russian regions by the level of development of small enterprises

Groups of regions by the development of small enterprises	Regions	Number of regions
Regions with a positive development trend of small enterprises	Moscow, St. Petersburg, Kamchatka and Magadan regions	4
Regions discarded by the 1998 default (with an upward trend)	Volgograd, Irkutsk, Nizhny Novgorod, Sakhalin regions, Republic of Dagestan	5

in the small enterprises sector)		
Regions with an average level of small enterprises development (with a downward trend in the dynamics of its development)	Altai Territory, Astrakhan, Vladimir, Vologda, Voronezh, Kaliningrad, Kaluga, Kemerovo regions, Krasnodar Territory, Krasnoyarsk Territory, Leningrad, Moscow, Novgorod, Novosibirsk, Omsk, Orenburg, Penza, Perm regions, Primorsky Territory, Republic of Altai, Republic of Khakassia, Rostov, Samara, Sverdlovsk regions, Stavropol Territory, Tyumen Region, Udmurt Republic, Khabarovsk Territory, Chelyabinsk Region, Chukotka Autonomous District, Yaroslavl Region	31
Regions with an initially low level of small enterprises development	Amur, Arkhangelsk, Belgorod, Bryansk Regions, Jewish Autonomous Region, Ivanovo Region, Kabardino-Balkar Republic, Karachay-Cherkess Republic, Kirov, Kostroma, Kurgan, Kursk, Lipetsk, Murmansk, Oryol, Pskov Regions, Republic of Adygea, Republic of Bashkortostan Buryatia, Republic of Ingushetia, Republic of Kalmykia, Republic of Karelia, Republic of Komi, Republic of Mari El, Republic of Mordovia, Republic of Sokha (Yakutia), Republic of North Ossetia-Alania, Republic of Tatarstan, Republic of Tyva, Ryazan, Smolensk, Tambov, Tverskaya, Tomsk, Tula, Ulyanovsk, Chita regions, Chuvash Republic	38

Source: (Orlov, 2002)

This characteristic of the regions made it possible to pursue an appropriate policy in the small enterprise development based on the potential and opportunities of the region for economic growth. The regions were classified according to the following criteria:

- the number of small enterprises (thousand units),
- the number of unemployed (thousand people),
- per capita income (thousand rubles),
- the population density in the region (number of inhabitants per 1 square meter),
- investment activity of small enterprises (thousand rubles / person),
- labor productivity (million rubles / person).

With the beginning of market processes in the country in the 90s of the last century in the development of Russian small business, one of the main problems, especially in the processing industry, was a lack of investment. So, for the renewal of production assets and the introduction of modern technologies in this sector, such as footwear, garment, meat processing, and knitwear, it took from 30 to 50 billion rubles (Orlov, 2002). Simultaneously, a massive part of investments was directed to the most export-oriented extractive industries. This tendency thus undermined the competitiveness of Russian manufacturers of small and medium-sized businesses against foreign companies. This trend contributed to the growth of imports in these industries, represented mainly in low-quality and counterfeit goods. Despite this, they are in demand by the majority of the Russian population. Reasons are low paying capacity of the population, weak competitiveness of domestic production, ineffective control and protection of the Russian market.

Among the main factors that hindered the development of small business structures in the country, one could also consider the lack of a regulatory framework that meets the interests of small enterprises.

At the same time, large manufacturers had the opportunity to lobby at the government level to make specific laws and decisions they needed. In this direction, small enterprises lagged significantly behind large businesses. The lack of adequate collateral also reduced the possibility of obtaining loans from banks.

The funds allocated by the government for the development of small business structures were often used in their interests by local officials, which also exacerbated the situation in this area of activity. We also note various administrative barriers, weak protection against corruption and crime of entrepreneurs, a significant tax burden, difficulties of small enterprises in carrying out investment planning and assessing investment risks.

In the Russian economy, the share of small and medium-sized businesses in comparison with the developed countries of Europe is significantly lower and amounts to approximately 20 % of GDP. Whereas for developed countries, this figure exceeds 50 % (Zemtsov & Bukov, 2016). According to data from selective research by Rosstat, in 2019, 11,340.5 thousand people were employed in small enterprises in the country. Moreover, the turnover of the companies amounted to 52963.9 billion rubles. At the same time, most of the employed (about 26.8 %) and about 57.4 of the total capital turnover fell on such a type of economic activity as wholesale and retail trade and repair of motor vehicles and motorcycles (Rosstat, 2021).

7. Conclusion

Small enterprises have clear economic benefits. Small enterprises solve important social problems: job creation; high internal mobility when demand changes based on the use of local resources that are ineffective for big business; high profitability of activities in "narrow" market segments, which are aimed at a specific and limited circle of consumers; ease of organization; the use of capital in the organization of production and other tasks. However, the development of small businesses requires support from the state. It is the state that can form the appropriate economic, political, and legal conditions necessary for small enterprises. As international experience shows, the development of small enterprises without state support is impossible (Aliev, 2006).

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