

ICEST 2022**III International Conference on Economic and Social Trends for Sustainability of Modern Society****STATE SUPPORT FOR SMALL BUSINESS TO OVERCOME THE
SANCTION CRISIS IN RUSSIA**

Niiara B. Demiroglu (a)*

*Corresponding author

(a) State Budget Educational Institution of Higher Education of the Republic of Crimea Crimean Engineering and Pedagogical University named after Fevzi Yakubov, Uchebniy lane, 8, the city of Simferopol, Russia,
n.demiroglu@kipu-rc.ru

Abstract

The economic crisis caused by sanctions in the spring of 2022 in Russia, taking into account the consequences of the coronavirus crisis, has a significant negative impact, primarily on small and medium-sized businesses, since they are the least protected and require urgent financial support from the state. The system of state support for small businesses should constantly take into account the strategic direction of changing their activities, which is constantly emphasized by economists in their scientific works. The article summarizes the existing problems of the development of small and medium-sized businesses and anti-crisis measures to support entrepreneurs by the government of the Russian Federation, knowledge of which will allow the owners of small and medium-sized businesses to orient themselves in their application in a timely manner, reduce risks, and maintain the work of companies. Conclusions are drawn about the need for a fundamental change in the relationship and interaction between business and government. It is proposed to systematize the criteria for classifying enterprises as small and medium-sized businesses, taking into account the sectoral nature of the production of goods and the provision of services; review the mechanism of tax administration of small businesses; reduce the high proportion of filling documents and reporting; create favorable credit conditions.

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1. Introduction

At various times in the economy of any country there are crises associated with factors both within the country and outside it, since the level of economic relations in the period of world globalization is quite high. The sharp depreciation of the Russian ruble against foreign currencies and economic sanctions in March 2022 against the backdrop of overcoming the consequences of the COVID-19 pandemic led to a new wave of the economic crisis in Russia. In this regard, a systematic interconnected work of government officials of all levels and entrepreneurs is needed, which will create favorable events for the effective functioning of small and medium-sized businesses.

Scientists constantly conduct an assessment of the development of small businesses, the results of which are reflected in their scientific research. We should agree with the opinion of Inna Baranova and Irina Vlasenko (2021) who state that “for the successful functioning of SMEs, states create favorable conditions, providing guarantees of stability and confidence of entrepreneurs in support from the state” (2021, p. 6), and in the article they systematize the directions of state support for small and medium business. Elena Midler and Alexander Belyatich (2021) analyzed the regional practices of state financial support for small businesses during the pandemic and noted that “overcoming the crisis caused by the new coronavirus infection is possible only in the context of adjusting and developing high-quality measures to support the small business segment” (p. 129). Ways to improve and develop the state policy to support small businesses were also summarized by the authors Kozhanchikov et al. (2021). Academic economists are constantly assessing the development of small businesses in Russia, especially after economic shocks (Bukhvald et al., 2022; Fraymovich et al., 2021; Mutalimov et al., 2021 and others).

2. Problem Statement

In order for small and medium enterprises to become a driver in the economy, they require changes in the strategic development of incentives and support for entrepreneurs. The share of small and medium-sized businesses in the overall structure of GDP in Russia is only 20.8% according to 2020 data, which is significantly lower than in other actively developing economies of the world. Generalization and analysis of the decline in development indicators during crisis situations will make it possible to make detailed decisions and targeted sectoral measures in strategic planning for the development of small and medium-sized businesses.

3. Research Questions

The negative consequences of the corona crisis, the decrease in the turnover of small and medium-sized businesses, the growth in the share of small enterprises that have debts on loans, lead to the need for assistance and facilitation in the functioning of business from the state.

Considering the small business support system in Russia, it should be noted that the state provides entrepreneurs with various types of assistance:

- financial – small business support programs imply the allocation of subsidies, the amounts of which range from 10.2 thousand to 30 million rubles;

- property – entrepreneurs get the opportunity to use state property free of charge or on preferential terms: rent of premises, land lease, including ones for the self-employed;
- informational – creation of a unified digital ecosystem based on the platform of small businesses, where information on all federal and regional support measures is available;
- consulting – support in the form of professional advice from specialists, for example, in the field of export;
- educational – development of programs for training specialists, advanced training for employees.
- all forms of state support for small and medium-sized businesses are carried out on an ongoing basis, taking into account the changes in the current situation in the country's economy.

4. Purpose of the Study

The systematization of the key problems of the development of small and medium-sized businesses will make it possible to assess the importance of the measures being taken for the economy to emerge from the crisis. Therefore, the main purpose of this article is to summarize them and review the ongoing state policy aimed at systemic changes in the economy.

5. Research Methods

The development of anti-crisis measures to support entrepreneurs is carried out by the state, taking into account the following existing problems in the development of small and medium-sized businesses:

- lack of motivation for growth from small to medium business. In the current economic situation, with the growth of business, the amount of profit does not increase, profitability decreases due to increased risks, which contributes to the closure of companies, and, consequently, the potential for the development of small and medium-sized businesses decreases;
- excessive reporting and document flow of companies along with the tax burden and administrative pressure. The listed "painful" points of small business development only reduce the efficiency of business structures activity;
- limiting the possibility of unsecured lending or lending secured by working capital, equipment, secured by shares in the company; only loans secured by property are given – all this hinders the development of small business entities. Real lending rates for small businesses remain extremely high;
- the average criteria approach to industry classification of small establishments is losing its relevance and does not meet the real needs and categorization in industries;
- lack of one window for communication with business.

State support for small and medium-sized businesses is implemented at all stages on an ongoing basis. So, for example, an experiment was launched in Russia – the start of a digital platform for small and medium-sized businesses. More than 20 different services from ministries, departments, banks and entrepreneurship support funds are connected to the ecosystem for small and medium-sized businesses.

Using the platform will improve the quality and reduce the cost of starting and running a business, as well as receive services and advice from specialists remotely and give feedback. In addition, the option of a marketplace aggregator for promotion will be available. The experiment will run from February 1, 2022 to February 1, 2025.

We should also pay attention to the priority areas of business identified by the Government of Russia.

Agriculture, farming – production and processing of meat, dairy products, vegetables. In 2022, with the support of the Ministry of Agriculture, it is planned to launch an information support service for farmers. In addition, grants for the development of rural tourism, up to 10 million rubles, are widely used; grants to build up the production base, up to 30 million rubles; grants for the development of a family farm, up to 30 million rubles. Agricultural grants for the development of agribusiness in the Far East also increased from 60% to 70%. Some of the remaining costs can also be offset by the budget.

Domestic IT companies. The support of entrepreneurs-developers will help to spur demand for domestic software. In turn, companies can save on software by paying 50% less. The rest is compensated at the expense of state funds. However, some restrictions are applied to buyers: income from 10 million rubles and not more than 2 billion rubles; from 15 to 250 people on the payroll (according to the average staff number).

Companies that go to IPO (place securities on the stock exchange). The program of support for small businesses that have decided to issue securities has been extended until 2024. You can compensate up to 1.5 million rubles for the issue of shares or bonds at the expense of the state, as well as save up to 70% on the payment of coupons. The requirement is the presence in the Unified Register of Small and Medium Business Entities. You can apply for participation in the program in two periods: until July 1 and until October 1, 2022.

Tourism. Assistance to small businesses in the field of domestic tourism will be provided to those who: create new routes; build modular holiday homes; develop electronic guides, online guides. You can get up to 3 million rubles. In 2022, the terms of the competitive stages have been significantly reduced. All documents for registration can be submitted in digital form remotely. Ecotourism is gaining popularity, as well as agro or rural tourism.

Self-employed citizens. In 2022, as part of the support for small businesses, professional income tax payers will be able to use the services provided at “My Business” centers. In addition, a self-employed person can rent a place in a co-working space or in a business incubator. You can take a loan for development up to 1 million rubles from state microfinance organizations.

Among other areas to which state support is provided in the first place, it is necessary to highlight the followings: the production of products (food and industrial) of prime necessity; health care system; utility, household and other services; social entrepreneurship: in the field of waste management, in creating an inclusive comfortable environment for the disabled; innovative technologies.

In some regions, the priorities are different – it depends on what area of production or services is considered vulnerable. Owners of enterprises in these areas are guaranteed to get assistance within the framework of regional programs to support small and medium-sized businesses.

Particular attention should also be paid to state support for small businesses in connection with the coronavirus. The coronavirus pandemic is not abating. Periodically, with new restrictive measures, new support measures are launched by the presidential decree. For example, compensation of part of the salary costs, as it was in November 2021. Due to the spread of the new omicron strain in 2022, new offers of assistance are possible.

State support for small and medium-sized businesses in connection with the sanctions. In February and March 2022, due to the aggravation of the geopolitical situation, a number of foreign governments announced sanctions against Russia. Many private companies broke off cooperation with Russian business. One of the announced priorities of the government is to help businesses adapt. We list some of the support measures that are being introduced urgently.

Agriculture. Grants will be allocated for agricultural producers participating in Research and Development: manufacturers of feed for livestock; oilseed producers and plant selection breeders; companies that are engaged in the genetic improvement of cattle; winegrowers. The government has allocated more than 1 billion rubles for grants. This money can be spent on: the purchase of materials and reagents; equipment for molecular biological, bioengineering, genetic research works; agricultural machinery. In addition, 25 billion rubles were allocated for the implementation of a program of concessional lending for agricultural producers.

IT. The IT industry received unprecedented support measures. Among them: deferment from the army and preferential mortgages for employees of IT companies; exemption from income tax and verifications. The above preferences will also apply to developers of mobile applications. Also, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation announced that it is open for feedback. You can submit your proposals through the Portal of Government Services.

Support for small and medium businesses. The government is constantly developing support measures that any business can take advantage of. In addition, regional authorities are empowered to extend the deadlines for paying taxes for businesses and individuals. The Payroll Fund 3.0 program will be resumed. Businesses can take advantage of the Payroll Fund 3.0 concessional lending program “for salaries”, for which 6.2 billion rubles have been allocated. The loan rate is 3%.

They also extended the commission compensation program for the use of the Faster Payments System (FPS) for settlements with clients for another 6 months. At the moment, FPS is used by a small number of entrepreneurs. But the 0.7% fee and restrictions on the use of MasterCard and Visa cards are likely to spur small businesses to adopt the new payment method.

The government has introduced a moratorium on scheduled inspections of individual entrepreneurs and small and medium-sized business entities until December 31, 2022, and for IT companies until December 31, 2024.

Loan repayment holiday for small and medium-sized businesses. The State Duma approved in the first reading a bill on a loan repayment holiday for small and medium-sized businesses, including mortgages. You can put payments “on pause” until September 30, 2022. The main condition: the date of the contract is before March 1, 2022. Unlike the pandemic, where there was a separate register of the so-called affected industries, now any entrepreneur can apply to the bank for a loan holiday, regardless of the type of product and OKVED (exact translation: All-Russian Classifier of Types of Economic Activities).

The new measures to support business include the fact that the Import Substitution Exchange has appeared in Russia. This is a service based on the Electronic Trading Platform of Gazprombank (ETP GPB), where businesses can buy domestic analogues of import-substituting goods. On the site, customers publish requests for goods, materials or components. Suppliers may respond with a quotation. The main advantage of the site is a direct connection, without intermediaries.

Organizations engaged in tourism and hotel services are planned to be exempted from paying VAT for five years. According to the government, this measure will stimulate the development of the tourism industry within the country.

Russian companies that produce bread are compensated for part of the costs. 2.5 billion rubles have been allocated for these purposes.

The construction business will be supported by: simpler urban planning documentation; preferential lease of land; the abolition of certain approval procedures, the rapid provision of land for rent and for construction.

For medical organizations and pharmacies. Until the end of 2022, it is possible to import medicines that are intended for sale in other countries – in case of a shortage in Russia due to restrictions.

Businesses will be allowed to operate without renewing their license if it has expired. This was stated in the department of state policy in the field of licensing, accreditation and self-regulation.

Until the end of 2022, companies will be able to buy back their shares under a simplified scheme. Now they are forming an official list of goods which will be allowed to be imported without the permission of the manufacturing company and the country of origin, for example, from third countries.

With the support of the Central Bank and the Government of the Russian Federation, special concessional loans will be launched: negotiable loans – up to 1 year; investment – up to three years. With these funds, you can refinance an existing loan or get a new one. A rate for a medium-sized enterprise is up to 13.5% per annum, for small business is up to 15%. The program is valid until December 30, 2022.

6. Findings

The economy today is in shock and is changing dramatically, which further emphasizes the need for government action to support small and medium-sized businesses. In the long term, a paradigm is needed to radically change the relationship and interaction between business and the government.

1. At present, there is a system of criteria for classifying enterprises as micro-enterprises, small and medium-sized enterprises, regardless of the type of activity, with the exception of light industry enterprises. It is recommended to change the approach to the current system and develop criteria depending on the industry, which will allow the provision of state support, taking into account the sectoral nature of the production of goods and the provision of services.
2. For the state, small and medium-sized businesses must perform a social function, first of all, as a source of providing the population with employment, goods and services. The government should pay attention to stimulating the development of entrepreneurship, considering their growth and transition from micro-enterprises to small ones, and later from small to medium ones.

3. Revision of the mechanism of tax administration of small and medium-sized businesses through tax loyalty, a simplified procedure for tax audits, tax holidays will optimize the tax burden on entrepreneurs and increase the turnover of assets.
4. For small businesses, the use of a simplified accounting system is provided. However, the amount of reporting documentation is quite large and contains redundant information, which leads to an unreasonable increase in the volume of office work.

7. Conclusion

The considered problems of the development of small and medium-sized businesses and specific areas of state support emphasize the government's desire for changes in the current and strategic planning of stabilizing the economic situation of the business environment, highlighting the following main measures: optimizing the tax burden of small businesses, reducing administrative pressure, creating favorable lending conditions, organizing office work and motivating entrepreneurs to run small and medium-sized businesses.

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