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**DEVELOPMENT OF SMALL BUSINESSES AS BASIS FOR  
RUSSIAN ECONOMIC WELFARE**

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**Abstract**

This article focuses on the preconditions for the development of small business as the basis for the economic well-being of the Russian Federation. Today, small businesses can be defined as individual entrepreneurs, consumer cooperatives or commercial organizations. The authors of this article investigated issues relating to the socio-economic problems faced by the State within the context of the modern concept of strategic planning, which is a model for the development of small forms of businesses. There should be the stimulation of demand for the products of small and medium-sized businesses on the basis of expanding access of such businesses to the procurement of goods, works and services by public sector organizations, natural monopoly organizations.

The authors are of the opinion that the strategy for effective state support of small businesses should include, apart from direct state support measures for this sector, a set of other measures aimed at improving the macroeconomic situation of the country as a whole.

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**Keywords:** Small businesses, development strategy for small businesses, state support of small businesses, strategic planning, development model.

## **1. Introduction**

The purpose of the existence of any state is to strive to ensure the economic prosperity of both in terms of economic prosperity of the state as a whole and in terms of improving the welfare and prosperity of its economic subjects. In this context, small businesses are the most important element of the economy, allowing us not only to ensure a competitive environment for the creation of the necessary jobs, but also

to create an engine of economic growth through such advantages of small forms of businesses as their mobility and adaptability to the opportunistic needs of the market (Medvedev, 2015; order, 2015).

## 2. Methods

For the first time in Russia, a declaration was made regarding a small business as a new object of the state's economic policy in connection with the adoption of the Federal Law dated from 14.06.1995 N 88-FZ – On State Support for Small Business in the Russian Federation. Providing favorable conditions for the use of public financial, logistical and informational resources, the formation of infrastructure for support and development, the introduction of a simplified procedure for registration, licensing, certification, reporting, organization of training, retraining and advanced training were the main activities of state support for small businesses.

By assessing the various ways in which this support shall be implemented, Orlov (1997) wrote that economically developed countries legislate a variety of legal instruments to support small businesses, and do so quickly enough, and by managing the rapidly-changing social economic relations, create a variety of organizational forms of infrastructure responsible for the support and development of small and medium-sized businesses.

It is worth noting that in terms of the monopolization of all economic activities that prevailed in the Soviet period, and a significant number of such activities in the early 1990s, a statement on the development of small business in Russia acted as a kind of declaration of the rights of citizens to freely use their abilities and property.

Indeed, criticisms on the absence of real state aid, which included the need to focus efforts on the search for investment in fast-commercial projects, on the annual use of funds as part of the state fund employment budget for the Russian Federation on the creation of new jobs, on establishing a certain percentage reserve on production orders and the supply of certain types of products and goods for state needs, on the provision of tax benefits to banks, leasing and insurance companies, providing credit-investment servicing for small businesses, confirmed the need to take measures to ensure austerity in the federal budget, since 1996.

Ensuring economic well-being, of course, is carried out by achieving effective macroeconomic policies. The main principle of achieving an effective macroeconomic policy is the use of such methods of its implementation as constitute parts of strategic planning.

In this regard, the return of Russia to the creation of favorable conditions for the development of citizens' initiatives in the field of business activities, received a new impetus after the start of the implementation of the Federal Law of 24.07.2007 N 209-FZ – On the Development of Small and Medium Businesses in the Russian Federation (Federal Law of the Russian Federation, 2007).

Today, small businesses can be defined as individual entrepreneurs, consumer cooperatives or commercial organizations, subject to the state's participation in the share capital of not more than twenty-five percent, the presence of the average number of employees up to a hundred people, and the proceeds from the sale of goods, works and services, excluding value added tax up to 800 million rubles.

### 3. Results

It should be noted that since 2011, the Russian Federal State Statistics Service has been conducting continuous federal statistical observation of the activities of small and medium-sized businesses [5].

**Table 1.** Main indicators of activity of small businesses (including micro-businesses) for the period of 2011 - 2014.

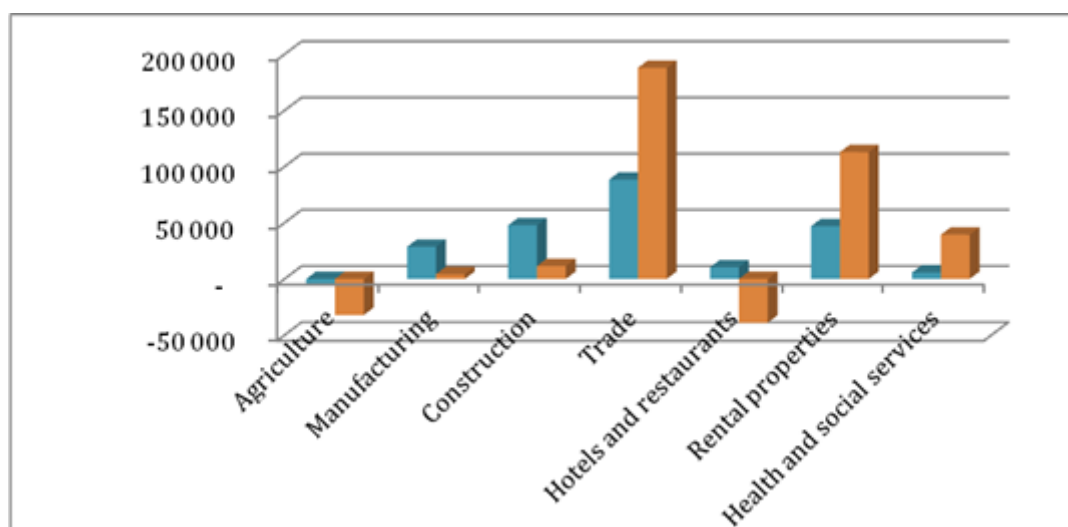
Index	2011	2012	2013	2014	<i>The basic rate of growth in 2014 relative to 2011</i>
Total amount / units.	1 836 432	2 003 038	2 063 126	2 103 780	14,56%
Average number / person.	11 480 427	11 683 934	11 695 729	11 744 174	2,30%
Enterprise turnover / thousand rubles.	22 610 239 470	23 463 700 783	24 781 609 173	26 392 218 698	16,73%
Turnover of domestic production / thousand rubles.	8 492 889 786	9 545 886 690	10 331 534 126	11 007 913 309	29,61%
Third-party goods / thousand rubles.	14 117 349 686	13 917 814 092	14 450 075 048	15 384 305 389	8,97%
Investments in fixed assets / thousand rubles.	431 551 322	521 544 852	574 933 682	664 431 528	53,96%

**Table 2.** Main indicators of activity for small businesses (including micro-businesses) for 2015.

Index	<i>Since the beginning of the reporting year</i>	<i>Since the beginning of last year</i>	<i>Percentage rate of growth of the corresponding period of last year</i>
The number of active small businesses, units	47.0	X	X
including operating small businesses, units	15.0	X	X
Average number of employees (excluding part-time workers and unscheduled workers), persons	633.5	684.0	92.6
including small businesses, persons	439.0	475.0	92.4
Accrued Wages Fund of all employees, thousand rubles	27604.3	26416.7	104.5
including small businesses, thousand rubles	22340.4	20727.2	107.8
Average monthly wage per employee, rubles	14524.8	12873.6	112.8
including small	16963.1	14545.4	116.6

businesses, rubles			
Shipped goods from private production, works or services privately in the sphere of industrial production - total, thousand rubles.	240933.1	49269.1	489.0
<b>including:</b>			
extraction of commercial minerals, thousand rubles	411.0		
manufacturing, thousand rubles	240522.1	49269.1	488.2
catering products, thousand rubles	2264.0	1092.7	207.2
including for small businesses, thousand rubles	2264.0	456.0	496.5
Retail trade turnover, thousand rubles	23685.6	25113.6	94.3
Including for small businesses, thousand rubles	13140.8	15723.7	83.6
<b>Investments in fixed assets, thousand rubles</b>	<b>9290.8</b>	<b>780.0</b>	<b>1191.1</b>
Including for small businesses, thousand rubles	5412.0	780.0	693.8
The volume of paid services to the population, thousand rubles	15537.9	24755.6	62.8
Including for small businesses, thousand rubles		10000.0	

Paradoxically, for a total increase in the number of small businesses and a comparable increase in the total turnover, the number of persons employed in small businesses in the period from 2011 to 2014 remained virtually unchanged, and in sectors where there is a growing number of small businesses, there is also a downward trend in the number of persons employed that is clearly visible in Fig. 1.



**Fig. 1.** Growth value / decrease in the number of businesses in relation to the increase / decrease of employment in sectors of the economy in 2014 relative to 2011.

It is true that, on the one hand, an increase in product output by small businesses per employee indicates the presence of internal reserves, but, on the other hand at the same time, reflects the lack of development dynamics and attraction of additional manpower. Given that the number of the economically

active population, according to data from the Russian Federal State Statistics Service, in December, 2014, was 75.4 million people, or 53% of the total national population, then the proportion of the active population, attributable to the number of small businesses, is only 15.5%. At the same time, we note that small and medium-sized businesses abroad occupy from 70 to 90% of all businesses, taking into account that more than half of the working population is employed.

The accumulated statistics can be an important tool for further research and for the adoption of strategic decisions by the state on planning and programming of the socio-economic development of the Russian Federation. It is this vision, one might say, that is reflected in the draft: Development Strategy for Small and Medium-Sized Businesses up to 2030, prepared by the Ministry of Economic Development and Trade of the Russian Federation.

#### **4. Development model**

The general development concept for the sphere of small business is considered as one of the factors for improving the economic structure, as well as for social development and ensuring a consistently high level of employment. An increase is planned in the manufacturing industry share in total turnover attributable to small businesses up to 20%, as well as an increase in the share of the employed population in the total employed population up to 35%.

In this context, interest generates a conceptually new approach to solving the problems of sustainable social and economic development. The idea of state support, in fact, on the methodological level, was transformed into the idea of the development of small business, which leads to the conclusion that there is readiness to solve the problems of small businesses at the macroeconomic level. At the same time, it is important to note that building a developmental model through implementing scientific and methodological resources' provision, looks really like the premise of the development of a strategic planning system that meets all the system's features at the moment of its creation.

Undoubtedly, a strategic development model for small businesses involves making assumptions of varying degrees of importance (Gorelova, & Podtserob, 2015).

Firstly, viable economic feasibility, that is the result and the setting of tasks should be linked with modeling costs. At the same time, government support measures that are financed from various levels of budgets, must comply with the general concept of the macroeconomic policy of the state, one of the basics of which is now the development of the national innovation system by utilizing resources from small businesses.

Secondly, it should be understood that a high degree of monopolization of various types of markets does not allow at a single point to implement in these areas other participants of market relations.

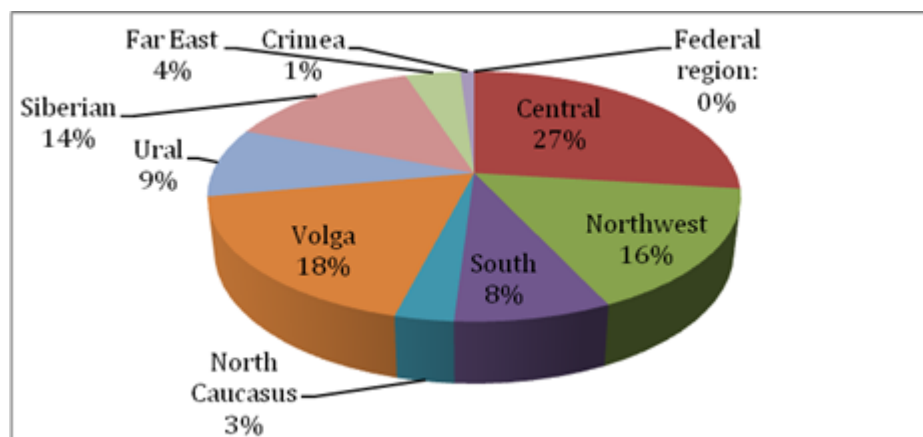
Therefore, it is necessary to evaluate the adequacy of the chosen model and in this case, to start with small forms of business adapting to the de-monopolization of the market. Right now, this may seem like a fantasy, but the big monopolies, particularly in the energy sector, think that the creation of relatively small capacities – cheaper and more flexible from the point of view of the market, is now justified.

It should also be borne in mind that the stimulation of demand for the products of small and medium-sized businesses can take place, inter alia, on the basis of expanding access of such businesses to the

procurement of goods, works and services by public sector organizations, natural monopoly organizations.

Thirdly, the versatility of the strategic development models suggests that the stimulation of business development will be carried out in separate areas.

Lastly, according to the authors, the ratio of the total number of small businesses in Russian regions can be qualitatively changed as represented in Fig. 2, especially towards the development of small businesses in the Siberian and Russian Far Eastern territories.



**Fig. 2.** Distribution of small businesses by regions of Russia for 31.12.2014.

## 5. Conclusions

In summary, we note that the development of small business in Russia, despite the not-entirely-successful start of implementation of economic policies of the 1990s, is aimed at finding measures of state support – this is a real ongoing process which can be quite effective under the following conditions.

Firstly, by subjection to the implementation of the strategic planning system in the sphere of the development of small entrepreneurship as a mechanism to ensure a coherent system of interaction among the participants within the framework of forecasting, actual planning, programming using a variety of methods.

Secondly, by consideration of the system of strategic planning in the area of small business development as part of the system of strategic planning of the macroeconomic policy of the state as a whole.

It should be understood that the high degree of monopolization of various markets, will not allow a moment to introduce these areas to other participants of market relations.

The stimulating and demand for products of small business may occur, including and on the basis of increasing the access of such enterprises to the procurement of goods, works, services organizations, public sector economy, organisations, subjects of natural monopolies. Programs of such partnerships with small businesses have already adopted such corporations as Transneft and Gazprom (JSC “Transneft”, 2015; JSC “Gazprom”, 2016).

Thirdly, in the presence of the evaluation of the effectiveness of the already implemented direct measures of state support for this sector and the establishment of priorities, targeting of assistance.

Fourthly, during the subsequent continuous federal statistical supervision over the activities of small businesses, enabling them to quantify the performance indicators in the context of economic activities, and to assess their quality.

Experience has shown that a well-chosen course of macroeconomic policy in strategic planning by the state could be the basis for the development of small businesses, and as a consequence, for ensuring the economic prosperity of the country in general.

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