

TIES 2020

International conference «Trends and innovations in economic studies»

THE CONCEPTUAL MODEL OF BRICS BUSINESS SECTOR DEVELOPMENT

Tatiana A. Egorkina (a)*, Ekaterina V. Strashko (b, c), Margarita V. Namkhanova (c), Irina V. Popova (d)

*Corresponding author

(a) Sevastopol Economic Humanitarian Institute (branch) of V.I. Vernadsky Crimean Federal University, Sevastopol, Russia, ta3nya@mail.ru

(b) Sevastopol Economic Humanitarian Institute (branch) of V.I. Vernadsky Crimean Federal University, Sevastopol, Russia, ktyastrashko@mail.ru

(c) Sevastopol State University, 33, Universitetskaya St., Sevastopol, Russia, mv_namhanova@bk.ru

(d) Donetsk National University of Economics and Trade named after Mykhaylo Tugan-Baranovsky, 31, Shchors Str., Donetsk, 283050, irinapo@yandex.ua

Abstract

The article discusses economic processes and relations associated with the development of entrepreneurship and formation of a conceptual model of the entrepreneurial sector of the BRICS association. In the conditions of development and modernization of the world economy, entrepreneurship becomes an integral link in the structure of the social reproduction process, without which it is impossible to ensure successful socio-economic development and economic efficiency. The ability to adapt to market changes, test innovative ideas, simplicity and flexibility of the management structure makes entrepreneurial activities one of the vectors of development of transnational associations. The urgent problem is creation of conditions for the development of entrepreneurial activities of associations of states, in particular the BRICS group. In order to develop the business sector of the BRICS countries, create conditions for successful business, and regulate the development of entrepreneurship, it is necessary to develop a conceptual model for developing the business sector of the BRICS association. The main goal that united the BRICS countries was the creation of fair conditions and rules for cooperation, taking into account their own interests in various areas of international activities, including economic and financial ones. Based on the study of economic relations of the BRICS countries, a conceptual model for the development of the business sector was developed.

2357-1330 © 2020 Published by European Publisher.

Keywords: BRICS, entrepreneurship, transnational associations, development model.



This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

1. Introduction

Modern transformational processes in the global economy pose new threats to the leading countries and rebuild the existing paradigm of world development. At the present stage, developed countries, primarily the USA and EU countries, are losing their economic positions, while the role of public associations, in particular, the BRICS group, is growing. Moreover, we are talking about changing indicators of the macroeconomic level, changing positions in world rankings, the direction of movement of flows of capital and goods and services, and the microeconomic level. In the conditions of development and modernization of the world economy, entrepreneurship becomes an integral link in the structure of the social reproduction process, without which it is impossible to ensure successful socio-economic development and economic efficiency. The ability to adapt to market changes, to test innovative ideas, the simplicity and flexibility of the management structure makes entrepreneurial activities one of the vectors of development of transnational associations. It is necessary to create conditions for the development of entrepreneurial activities of public associations, in particular the BRICS group (Zharikov, 2014).

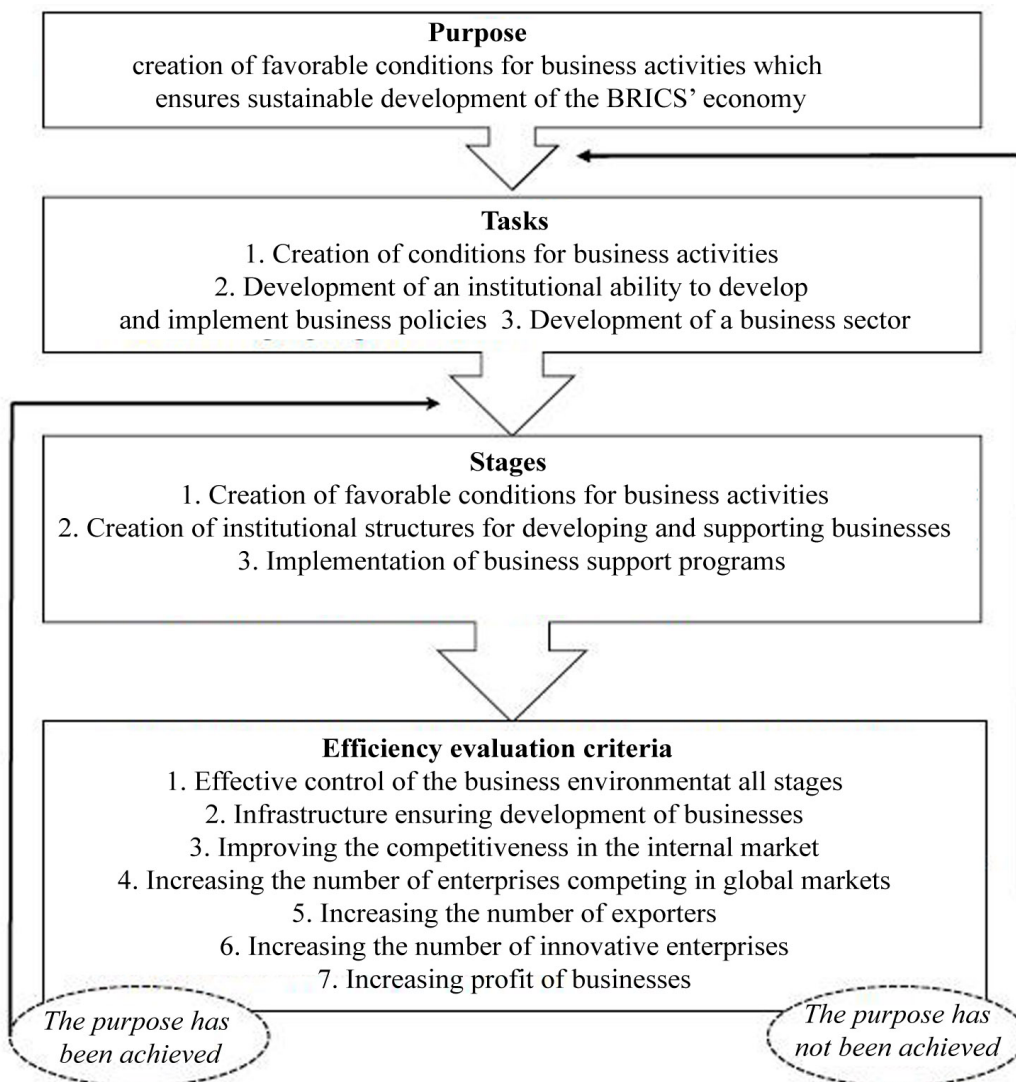


Figure 01. The conceptual model of development of the BRICS business sector (author's development)

2. Problem Statement

Assessing the degree of development of economic cooperation within the BRICS, a small number of scientific works in this area should be mentioned. Basically, the cooperation of the two most economically developed BRICS countries is considered, and the influence of the developing BRICS countries on the development of business is not analyzed. In order to develop the business sector of the BRICS countries, create conditions for successful business, and regulate the development of entrepreneurship, it is necessary to formulate a conceptual model for the development of the business sector of the BRICS association.

3. Research Questions

The subject is economic processes and economic relations associated with the development of entrepreneurship and development of a conceptual model of the entrepreneurial sector of the BRICS association. The BRICS group mainly includes developing countries. However, it is worth noting that the pace of economic development is characteristic of many developing countries. In addition, the term "developing countries" is quite broad and includes a wide range of countries – from the poorest ones with a low level of democratization, industrialization and living standards to the new industrial countries which have not yet fully shown signs of developed economies. Despite the fact that most developing countries have rather low GDP indicators, some of them have better indicators, in particular, the BRICS countries - Brazil, India, and China. In 2017, according to World Bank data, they ranked ninth, seventh and second in the world ranking, respectively.

4. Purpose of the Study

The article aims to develop a conceptual model for the development of the business sector of the association based on the study of economic relations of the BRICS countries.

5. Research Methods

Comparative and situational analysis and synthesis, statistical analysis, analytical grouping, comparison of time series, the graphical method and the methods of detailing, grouping and generalization, induction and deduction were used.

6. Findings

The main goal that united the BRICS countries was the creation of fair conditions and rules for cooperation, taking into account their own interests in various international activities, including economic and financial ones.

Today, the BRICS includes countries that are characterized by a number of important features, the main of which is the civilization factor, because civilization carries all the historical assets, and is also characterized by its uniqueness. The BRICS countries belong to five different civilizations: Latin American (Brazil), Eastern European (Russia), Indian, Chinese and African (South Africa) (Acharya,

2014). Despite the fact that each BRICS country represents a separate civilization, the creation of this association reflected three trends:

- 1) the growing role of new actors in the world relations;
- 2) the crisis of the system of international relations;
- 3) the formation of new principles of the world order.

An important point is that the equal nature of the member countries indicates the establishment of inter-civilization contacts.

In addition, the BRICS countries have common problems, one of which is a significant differentiation of regions by the level of socio-economic development. As a result, only a few regions are attractive to investors. The contrast is especially noticeable in the Russian Federation where most regions have a low and extremely low level of economic development. The average level of economic development has a small number of northern regions (The world globe, 2020).

Let us determine specific development factors for each member.

Brazil is the largest country of South America. Its area occupies the fifth place (8 514 877 sq. km) in the world. The number of population is 211 243 220 people (1). By the level of economic development, the state is ahead of other countries in the South American region, because it has a high level of development of agriculture, industries, and a large number of able-bodied people. According to the World Bank (Keukleire & Hooijmaaijers, 2014), in 2017, Brazil's GDP amounted to \$ 1,556.44 billion. By the GDP per capita, Brazil ranks third among the BRICS member countries (\$ 7,495.07). According to the Global Competitiveness Index (1) in 2017, Brazil ranked 80th out of 138 countries. As the study showed (Astakhov, 2016; Boldyrikhin, 2016; Vergun, 2013; Vinogradov, 2013), the biggest problems for doing business in Brazil are as follows: high taxes; poorly developed economic infrastructure (Brazil's economy is growing, primarily due to the sale of raw materials); inefficient bureaucratic apparatus.

The Russian Federation has the largest area in the world (17,125,191 sq. Km.) (6). By the number of population, Russia ranks ninth (143,375,006 people) (4). In 2017, the volume of Russia's GDP was \$ 1267.55 billion (3). By the GDP per capita, Russia ranks second (\$ 8664.06). According to the Global Competitiveness Index, the RF ranked 38th place out of 138 states. Based on the study of the economic sector (Astakhov, 2016; Boldyrikhin, 2016; Vergun, 2013; Vinogradov, 2013), it can be concluded that among the most problematic factors for doing business in Russia are the inefficiency of the bureaucratic apparatus, the high level of taxes, and the high inflation rate and macroeconomic instability. One of the main problems of the Russian economy is the raw material orientation of exports.

India is the seventh country in the world by the area (3,287,263 sq. km.), and the second by the number of population (1,342,512,706 people) (4). By its economic structure, India is an agro-industrial country with developed industries. In 2017, India's GDP amounted to \$ 2,487.94 billion, with about 55% in the service sector, 28% in industry, and 17% in agriculture (5). GDP per capita is \$ 1,874.94 (5). According to the Global Competitiveness Index (5), in 2017, India ranked 40th out of 138 countries. The study (Astakhov, 2016; Boldyrikhin, 2016; Vergun, 2013; Vinogradov, 2013) showed that the biggest problems for doing business are as follows: inefficient infrastructure; corruption; inefficiency of public bureaucracy.

The People's Republic of China is the fourth country in the world by the area (9,596,961 sq. km.) and the first by the number of population (1,388,232,693 people) (5). In 2017, China's GDP amounted to 12,263.43 billion US dollars, and China ranked second in the world by its GDP, second only to the United States. At the same time, the per capita GDP is 8833.28 dollars. By this indicator, China is ahead of other BRICS member countries. The China's economic growth rate is the highest among the BRICS countries, which is due to the large number of exported products, primarily labor-intensive goods (Sorokozherdyov & Konstantinidi, 2017). A significant factor in increasing the competitiveness of Chinese products is the low level of wages. According to the global competitiveness index, in 2017, China ranked 27th out of 138 countries. The results of the study (Khoros & Potapova, 2016; Tumaykina, 2017; Yamilova, 2016) showed that among the main problems for doing business are as follows: inefficiency of the state bureaucratic apparatus; political instability and corruption.

The Republic of South Africa is the most economically developed country in Africa, which accounts for about 35% of the continent's GDP, and is included in the G20 group. By its area, South Africa ranks 23 place (1 219 090 sq. Km.), and by the number of population, it ranks 25th (55 436 360 people) (Keukleire & Hooijmaaijers, 2014). In 2017, the country's GDP was \$ 273.73 billion, and per capita GDP was \$ 4826.07. By the global competitiveness index (The World Bank Group, 2020) South Africa ranks 61st. The Republic of South Africa has a powerful industrial and agricultural potential and is one of the world leaders by the volume of exports of gold, diamonds, and non-ferrous metals (2015). The study showed (Astakhov, 2016) that the main problems are as follows: mass unemployment, criminality of young people (Vergun, 2013).

Thus, the economic growth of Brazil and Russia is mainly due to raw materials. These countries have to diversify their economic infrastructure. In turn, the growth in the PRC and India is primarily due to developed services and industries. Moreover, while in India, the service sector is leading, in China, the service sector and industry account for approximately the same part of the GDP. In South Africa, economic growth is driven by developed industries and agriculture. In Brazil, the Russian Federation, China and India, the issue of development of the agricultural sector is relevant, while the development of the service sector and education is required.

Based on the study of the business environment of the BRICS group, the following problems of business development in the BRICS countries were identified:

- inefficient regulation of the business environment;
- weak protection of property rights and competition;
- insufficient development of infrastructure;
- underdevelopment of entrepreneurship support institutions;
- imperfection of methodological and statistical means of analysis of the enterprise sector;
- a large proportion of enterprises manufacturing products with low added value;
- high level of shadowing of business activities.

To solve the problems, coordination of efforts of government authorities and involvement of business associations, international technical assistance programs are required. For this purpose, the authors have developed a conceptual model of BRICS entrepreneurship development, which is aimed at creating favorable conditions for doing business, which will ensure sustainable development of the

BRICS economy (Figure 1). The implementation of this concept should contribute to the solution of the following tasks:

1. Creation of conditions for doing business:

- positioning entrepreneurship as the basis of BRICS economic development;
- creating a competitive environment where equal opportunities are provided for all market participants;
- providing access for business entities to financial, property, natural resources.

2. Institutional ability of the association to develop and implement enterprise development policies:

- creation of the enterprise support infrastructure;
- training opportunities for entrepreneurial structures are open throughout life, the “enterprise” competency is integrated into educational programs;
- ensuring a constructive dialogue between authorities and enterprises;
- raising the level of statistical and analytical awareness of government in relation to the business sector.

3. Development of the enterprise sector:

- increasing the competitiveness of enterprises;
- increasing the level of profit generated by enterprises.

The criteria for the effectiveness are as follows:

- Effective regulation of the business environment at all stages.
- The presence of infrastructure that ensures the development of enterprises.
- An increase in the level of competition in the domestic market.
- An increase in the number of enterprises competing in global markets.
- An increase in the number of exporters among enterprises of the association.
- An increase in the number of innovative enterprises.
- An increase in profit generated by enterprises

7. Conclusion

The integration of the BRICS countries has a significant impact on development of the economies of the participating countries and the economy of the association as a whole. At the same time, one of the BRICS priorities is to ensure favorable conditions for the development of entrepreneurship as the basis for the economic growth of the association.

One of the effective ways to develop the competitive business is to strengthen interregional ties on the basis of the conceptual development model proposed by the authors.

The creation of a scientifically based conceptual model for the development of the business sector will create the regulatory framework, improve conditions for financing enterprises and cooperation projects; create specialized structures that would provide full information about conditions of activities and the implementation of inter-regional cooperation projects; ensure development of the transport network, economic and scientific cooperation. The implementation of the model will lead to qualitative

shifts in the subject composition, creation of new businesses and growth of existing ones, the spread of innovation, as well as the strengthening of competitive positions of enterprises.

References

- Acharya, A. (2014). *The End of American World Order*. Cambridge: Polity.
- Astakhov, E. M. (2016). BRICS: development prospects. *Vestnik MGIMO*, 1(46), 42–50.
- Boldyrikhin, A. A. (2016). Support for the development of entrepreneurship in the BRICS countries at the present stage. *Panorama*, 25, 5–9.
- Keukleire, S., & Hooijmaaijers, B. (2014). The BRICS and Other Emerging Power Alliances and Multilateral Organizations in the Asia-Pacific and the Global South: Challenges for the European Union and Its Views on Multilateralism. *Journal of Common Market Studies*, 52(3), 582–599.
- Khoros, V. G., & Potapova, E. Yu. (2016). Will the second decade of the BRICS become “golden”? *On the threshold of the second decade of the BRICS*. Collection of articles. (pp. 75–83). Ed. by V.G. Khoros. Moscow: IMEMO RAS.
- Sorokozherdyov, V. V., & Konstantinidi, H. A. (2017). National economies in the context of global and local transformations. *Economic science of modern Russia*, 3(78), 155–158.
- The World Bank Group. (2020). Retrieved from: <http://www.worldbank.org>
- The world globe. (2020). Retrieved from: <http://www.world-globe.ru/countries>
- Tumaykina, I. I. (2017). Development of financial and economic cooperation of the BRICS countries. *Economic and Managing: Scientific and Practical Journal*, 3(137), 127–130.
- Vergun, A. N. (2013). Cooperation of the BRICS countries as a new format of the integration process. *Vestnik of MSIIR*, 5(32), 153–161.
- Vinogradov, A. V. (2013). *The BRICS dialogue format and its role in the formation of a multipolar world*. Collection of articles ed. by V.A. Nikonova, G.D. Tolorai, (pp. 47–52). Moscow: RUDN University
- Yamilova, K. G. (2016). *Problems and prospects for the development of BRICS in the context of global economic development*. Moscow: Peoples' Friendship University of Russia
- Zharikov, M. V. (2014). *International Financial Centers and Markets of the BRICS Countries*. Ed. Russian Customs Academy.