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Features of small and medium-sized enterprises in Russia¹

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Abstract

This article analyzes the features of small and medium-sized enterprises in Russia. Quantitative and qualitative parameters of SMEs in Russia lag behind most countries, largely due to the structure of its economy with the traditional dominance of large enterprises and the prevailing business climate. Unlike SMEs of developed countries, Russian small and medium-sized businesses are not innovative. A very small share of Russian SMEs is engaged in scientific research and innovations development. The private sector is investing very little money in innovations. Russian small and medium-sized enterprises are not able to resist the monopolism in the economy. The struggle against monopolies can be declared, but in practice it is useless for domestic small and medium-sized businesses. SMEs are in a competitive environment of their own, almost separate from the monopolistic sector of the national economy. Informal employment and violation of labor laws are widely spread among the Russian SMEs. The deep involvement of SMEs in the Russian shadow economy is a feature that distinguishes them from small and medium enter-

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prises of developed countries. The shadow economy and bureaucracy cause a serious distortion of the official data on the economic processes in the country. It is true for Russia and its small and medium-sized business.

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Keywords

Small and medium-sized business, SMEs, Russia, business climate, shadow economy, irrational administrative barriers, innovation, startups.

Introduction

Russia is significantly different from the majority of developed and developing countries with a low share of small and medium-sized enterprises (SME) in the GDP and the economy as a whole. Direct copying of institutions in developed countries formed typical for Russian policy of SMEs support, fold increase in the allocation of budget funds for SMEs support so far has not changed the standing of SMEs in the Russian economy. This fact requires interpretation. According to our hypothesis, the lag in development is due to the peculiarities of the Russian SME.

1. The place of small and medium-sized enterprises in the Russian economy

In highly developed countries and most emerging market countries, SMEs account for more than half of GDP, more than half of total employment. Small and medium enterprises virtually present all sectors of the economy, and it is especially noticeable in the area of services, catering, wholesale and retail trade, consumer goods and food industries. SMEs take almost the same position in post-Soviet countries, except Russia.

Small and medium-sized enterprises in Russia in 2010 accounted for 25.2% of the number of employed in Russia, 28.5% of revenue of Russian enterprises and 5.4% of the investments in fixed assets. Medium-sized enterprises accounted for 4.4% of the number of employed in Russia, 2.5% of the average number of external part-time, 4.3% of the turnover of Russian enterprises and 10.0% of the investment in fixed assets².

The place of small and medium-sized enterprises in the economy of Russia is shown in Table 1.

Table 1. The share of small and medium-sized businesses in key economic indicators in 2010 (percentage)

	Small and medium-sized businesses – total	By categories		
		medium-sized businesses	Small businesses	
			total	Including microbusinesses
Legal entities Number of enterprises – total ¹⁾	95.2	1.4	93.8	80.7
Legal entities and individual entrepreneurs Number of employed ²⁾	25.2	3.6	21.6	10.7
Revenue from sale of goods (works, services) ³⁾	28.5	7.1	21.4	7.6
Investment in fixed assets ⁴⁾	10.0	2.8	7.2	3.4
Fixed assets (the full book value, end of year) ⁵⁾	5.9	1.4	4.5	2.3

¹⁾ Of the total number of commercial entities (excluding banks, insurance companies and other financial and credit institutions).

²⁾ of total number of employed in the economy.

³⁾ excluding banks, insurance companies and other financial and credit institutions

⁴⁾ of the total investment in fixed assets, including investments of individual developers, investments not be observed by direct statistical methods.

⁵⁾ total fixed assets of commercial and non-profit organizations and fixed assets of citizens.

It can be assumed that the big gap between Russian and other countries is caused by Russian differences in the criteria for entities to be defined as SMEs. But the fact is that during the last five years Russia is using criteria similar to the criteria of the European Union.

2 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

Since 2008 Russia has the following criteria for classifying entities to a group of small and medium-sized enterprises:

Small and medium-sized enterprises are the Russian consumer cooperatives and business organizations as well as individuals engaged in entrepreneurial activities without forming a legal entity (hereinafter – individual entrepreneurs), farms. They must comply with the relevant provisions:

1) Legal entities. The total share of the Russian Federation and its constituent entities, municipal formations, foreign legal entities, foreign citizens, public and religious organizations (associations), charitable and other funds in the authorized (share) capital (mutual fund) shall not exceed 25 % (excluding the assets of equity investment funds rows and closed-end mutual funds). Share of large companies should not exceed 25%.

2) The average number of employees must not exceed the following limits for each category of small and medium-sized enterprises:

a) from 101 to 250 people inclusive for medium-sized enterprises;

b) up to 100 people inclusive for small businesses, up to 15 people for micro-enterprises;

3) Revenue from sale of goods (works, services), excluding value added tax or the carrying value of the assets (net book value of fixed assets and intangible assets) for the preceding calendar year shall not exceed the limits set by the Government of the Russian Federation. For each category of small and medium-sized businesses such limits are set every five years.³

The Government of the Russian Federation Decree of February 9, 2013 defines for each category of small and medium-sized enterprises the following limits of the proceeds from the sale of goods (works, services) in the previous year, excluding value added tax: microbusinesses – \$ 1.8 million; small businesses – \$ 12.5 million; medium enterprises – \$32.2 million (U.S. dollars).

It is impossible to explain the aforementioned significant gap between Russia and other countries in terms of SMEs position in the economy by differences in the criteria of SMEs category definition. Criteria do not differ significantly. The reason here is different.

3 Federal Law of 24.07.2007 No. 209-FZ (as amended on 23.07.2013) "On the development of small and medium-sized enterprises in the Russian Federation".

Quantitative and qualitative parameters of SMEs in Russia lags behind most countries, largely due to the structure of its economy with the traditional dominance of large enterprises and the prevailing business climate.

2. Russia's GDP structure and SME

In terms of GDP per capita Russia is the average country with emerging markets. And its level – above the average. The volume of Russian GDP is estimated about 2 trillion U.S. dollars by IMF. This figure is close to the GDP of Brazil, Italy and India. Socio-economic burst occurred about 10 years ago in Russia, thanks to a significant increase in world prices for oil and raw commodities.

Trade takes first place with 19% share of the GDP of Russia. Manufacturing takes second place with 16%. The third place is occupied by operations with real estate, renting and business activities – almost 12%. Extractive industries account for about 11% of GDP.⁴

With regard to "net taxes on products", which consist mainly of export duties on raw materials exported from Russia, the true role of extractive industries is the most important in the GDP income generation in Russia. Mining and export of raw materials and fuels provide global competitiveness of the Russian economy.

Structure of goods and services produces by small and medium-sized enterprises is derived from the Russian economy structure. SMEs concentrate their activities around the revenues derived from the country's oil exports and raw materials. They find it difficult to develop production. Manufacturing SMEs usually gravitate to large industrial manufacturing enterprises. In Russia there are few highly competitive manufacturing industries. Large companies of extractive industries do not need small businesses.

In Russia, small-and medium-sized businesses in 2010 were mainly occupied in trade, repair of motor vehicles and household goods (about 38%), in the transaction in the real estate and services (20%), in construction (10%). Substantial part of small and medium-sized enterprises was occupied in manufacturing, production and

4 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

distribution of electricity, gas and water (10%). The sector of trade, repair of motor vehicles and household goods accounted for 54.8% of the total revenue of SMEs – legal entities and 73.4% of the total revenues of individual entrepreneurs in 2010.

Operations in real estate and services accounted for 10% and 8% of the total SMEs revenues, respectively, construction – 11.1% and 1.4%; manufacturing, production and distribution of electricity, gas and water – just over 11% and 5%, transport and communications – 4% and 5.1%. Trade sector is dominated by number of SMEs, as well as a share of revenue from sale of goods (works, services) in the Russian SMEs.⁵

Potentially, small and medium enterprises perform the following economic and social functions better than big business does: innovation, social cushioning and overall revenue growth of the population; combating monopolies and maintaining competitive elements in the economy and consequently, rationalization of the branch structure of the economy; the creation of new (more efficient than the public sector and municipal) employment; combating unemployment, ensuring the competitiveness of the national economy by optimizing the relationships between small, medium and large enterprises; the democratization of property that is preventing it from over-concentration in the hands of a small group of the population as vital to the sustainability of the national economy, large-scale role in the formation of the middle class, in the development of civil society and the cultivation of an innovative society in the spirit of entrepreneurship; taking part in filling of state and municipal budgets with tax money.

Russia belongs to the group of medium-sized countries with emerging markets. In many emerging markets, the set of SMEs functions is narrower and much different at all. According to the level of development of these countries these functions usually take social survival, social cushioning and overall income growth in the first place. There are no innovations in question. The distribution of foreign innovations in the national economy, in the best case.

Unlike SMEs of developed countries, Russian small and medium-sized businesses are not innovative. A very small share of Russian SMEs is engaged in scien-

5 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

tific research and innovations development. At the same time, mostly on government grants. The private sector is investing very little money in innovations.

Innovative small and medium-sized enterprises account for only 2-4% of the total number of Russian SMEs and their revenue.⁶ The main reason for the poor development of scientific and technological innovation in small and medium-sized business in Russia, until recently, was the lack of any serious domestic demand and, consequently, low profitability of these activities.

There should be demand on research and development. In practice, there was none in the Russian economy during crisis, especially in industry. Russia has sharply negative balance of exports and imports in the area of research.

Besides the demand for innovation, several conditions for the country's modernization are required such as people's propensity to innovation and entrepreneurship, access to finance for investment, state of education system, and presence of a viable infrastructure for innovation. In terms of these parameters, Russia remains among the average developing countries. In relation to the highly developed countries Russia is spending little on education, R & D, drastically reducing the number of researchers. There is growing scientific illiteracy of the population, obscurantism, the existing innovation system has clearly degraded in recent decades. In the latter Russia stands out even against the background of the developing countries.

One can hardly expect a significant development of the Russian innovation system, growth in demand for scientific and technological innovation in the conditions that are typical for the Russian economy of high transaction costs, due to the appalling corruption, irrational administrative barriers to entrepreneurship. Profit level in the field of innovation in Russia dramatically lags behind the level of profit gained from the export of natural resources and products of primary processing, as well as the profit level of the entities that are indirectly involved in unproductive redistribution of exports income (especially taking into account the "shadow" profits). An example of successful participation in such redistribution can be the fact that elite pet service and grooming was the most profitable activity in the SME sector in Moscow on the eve of the financial crisis in 2008.

⁶ Ibid.

Small and medium-sized business undoubtedly has its innovative components in Russia. They are clearly visible in the trade and services, small-scale production and construction. But the meaning of this innovation is the active introduction and adaptation of foreign technologies and materials. SMEs in Russia are a kind of sponge, absorbing business ideas that have already been successfully implemented in other parts of the world and spreading them across local markets. We would say, the actual development of small innovative businesses in Russia in the 90s began with the widespread production of plastic bottles on the basis of imported equipment. But that was not a business venture.

According to the official statistics on innovational, scientific and technological activities in Russia, until recently, there was an absolute excess in the number of unprofitable SMEs compared to profitable ones. Profitability in trade and catering exceeded three times the average industry profitability, according to self-assessments of entrepreneurs. That means, the relative "simplicity" of industrial specialization and application of forces of capital in Russia has become the key to the profitability of small businesses. In general, this is typical of most developing countries.

The dangers of complexly organized "knowledge-based" business come from the state of the business environment, the weak legal capability of the Russian legislation and the judiciary (the lack of effective protection of property rights, corruption), the weakness of the law enforcement system, weak contract law, the extensive criminal networks impact on business, the weakness of infrastructure (venture financing), etc. Ease of transactions just maximizes uncertainty to the predicted risks. All this applies primarily to the activities of small enterprises, which by their nature cannot even provide themselves with sufficient information about partners, resources and markets.

In general, the weakness of scientific and technical development of small and medium-sized businesses is due to:

- lack of serious domestic demand for scientific and technical products;
- low-yield scientific and technological activities in the sphere of small and medium-sized businesses;
- general lack of interest of Russian big capital in science and technology innovation and in innovative SMEs in particular;

– high level of uncertainty of economic activities in Russia.

The list of main features of Russian small and medium-sized businesses also includes the following items:

1) Russian small and medium-sized enterprises are not able to resist the monopolism in the economy. The struggle against monopolies can be declared, but in practice it is useless for domestic small and medium-sized businesses. SMEs are in a competitive environment of their own, almost separate from monopolistic sector of the national economy.

Small and medium-sized business generates a positive competitive environment. But the importance of SMEs in Russia should not be exaggerated. In many emerging markets and even in the newly industrialized countries there is a steady two-sector economy with a very high level of competition in the SMEs sector and low competition among large firms. Activities of large and small businesses rarely intersect in key sectors, they occupy different niches. Sure, it hinders economic and social development of these countries. But the prospects for overcoming the situation look very uncertain. Russia has been developing within the same model so far. High competition among small and medium-sized enterprises had little effect on the monopoly position of the leading large enterprises.

Hopes that small and medium-sized businesses really resist the old and the new Russian monopolies one day don't come true. Note that in the developed countries the importance of antitrust function of small and medium-sized business is much lower now than it used to be 30-50 years ago. But it is highly desirable for Russia's economy now that small and medium-sized businesses play an important role of an opposition to overgrown monopolism with its reliance on the junction of big business with the authorities.

2) In Russia the cooperation between small, medium-sized and large enterprises is establishing badly. This phenomenon is due to the lack of partnership relations trust, reliance on the institutions of state and market. The vast majority of SMEs are operating outside of structured business chains. Existing business relations, informal chains are based on personal relationships. But such ties are associated with high transaction costs, which make the Russian SMEs not really much competitive ones.

Formation of relations between small and large enterprises is caring out with very great difficulties almost for the same reason. Undoubtedly, many small businesses (according to the polls, up to 50% of small business) have business contacts with large enterprises. But the behavior of SMEs is characterized by contract failures, disappearance after obtaining down payments, poor product quality, etc. It is typical for large enterprises to impose high prices on their products for SMEs, to include additional onerous terms in contracts. Otherwise contracts are not signed at all. To ensure the reliability of technological and financial transactions, large companies prefer to independently establish small units of their own and not run the risk of doing business with external, independent SMEs. As a consequence the scale of subcontracting and franchising with independent small businesses in our country is extremely small.

3) Informal employment and violation of labor laws is widespread among Russian SMEs. Labor relations are far from civilized forms in Russia. Work without labor contracts, with salary that is not reflected in the financial statements, without any formalized social guarantees for employees is the widespread practice of SMEs in Russia. Note that there has been some improvement in this respect in the recent years.

4) It happened so that the Russian economic policy and the leading part of the national political establishment were in a subordinate position in relation to the interests of a narrow circle of large businesses, mainly engaged in production and export of the most important natural resources. Manufacturing, infrastructural and other facilities of big business, its supply and marketing relations and, most importantly, its long-term economic interests focus on large enterprises and, with few exceptions, show no interest for the SMEs sector. The situation is exacerbated by the fact that the Russian system of economic institutions encourages big business mostly. It also proves an essential specific situation of small and medium-sized businesses in Russia.

The development of Russian small and medium-sized business entirely depends on the state of the economy and the business climate in the country. The business climate in Russia does not correspond to the needs of small and medium-sized businesses. Measures to improve the business climate can potentially help

Russian small and medium-sized businesses much more than the existing costly system meant to support them.

Of course, the system of support for small and medium-sized businesses should not be abandoned. But it is clearly in need of reform.

Weak development of SMEs in Russia is undoubtedly due to poor business and investment climate.

Russian SMEs are facing with great difficulties and serious problems as all the non-monopoly Russian business is in extremely complex conditions. In accordance with the report *Doing Business – 2012*, prepared by the World Bank and the International Financial Corporation in 2013, in terms of the overall ranking of business environment, Russia is ranked 92rd out of 187 countries surveyed. Russia is standing between Albania, Barbados, Serbia, Jamaica 2012 ranking. The top six places are occupied by Singapore, Hong Kong, New Zealand, United Kingdom, United States and Denmark.⁷

Transparency International in 2012 published the next rating of corruption. Russia has traditionally been stuck at the very bottom of the rankings, receiving 28 points out of 100. Russia appeared to be among countries such as Nicaragua, Mali and Pakistan. The leaders of the rating were Denmark and New Zealand with 91 points, outsiders were Somalia, North Korea and Afghanistan (8). "Transparency-International – R" indicates that the lower results of Russia, which got "stuck in the bottom of the list", do not contribute to the investment attractiveness and credibility of the government.⁸

There is a high level of criminal tension in Russia. For 100 thousand people in Russia there are 16 murders officially, in Europe – less than one. Tens of thousands of people in Russia go missing every year.⁹ Due to the high level of corruption criminal tensions, common challenges and problems the business environment in Russia is unfavorable for small entities.

7 *Doing business 2013*. [Online] Doing business. Available from: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf> [Accessed 25/07/14].

8 *Transparency – International*. [Online] Transparency. Available from: <http://www.transparency.org> [Accessed 22/06/14].

9 *Pravda [Truth]*. [Online] Pravda.ru. Available from: <http://www.pravda.ru/society/27-10-2010/1055041-mzda-0;> [Accessed 05/07/14].

3. The most important problems and difficulties of Russian SME

Broad involvement of SMEs in the Russian shadow economy is a feature that distinguishes it from small and medium enterprises of developed countries. The shadow economy is present in all countries of the world, but the fact that it has different sizes and, as a consequence, has a different effect on the economy of a country. The size determines its importance to the national economy. Its large size multiplies costs of doing business and, most importantly, gives the irrational motivation of economic entities' behavior and officials to provide and monitor their activities in terms of national interests. The Rosstat estimated official size of the shadow economy of Russia at 16 % of GDP in 2011¹⁰, which is approximately two times higher than in the leading developed countries. And according to World Bank estimates, the shadow economy in Russia in 2010 was 49 percent of GDP, higher than even in the "average" developing countries.¹¹

According to expert estimates, the shadow economy in the Russian small business ranged from 30 to 40% of the volume of goods and services (turnover) in the beginning of the century. We note that these values look like underestimated given the fact that, according to Rosstat, trade accounts for 63% of Russia's shadow economy. It is trade that accounts for about 55% of the turnover of the Russian small businesses.¹²

In absolute terms, the dominant part of the turnover of the Russian shadow economy accounts for large business. All kinds of operating an illegal scheme to hide profits from taxation, concealment of exports and imports, etc. yet allow some representatives of big business to achieve full-scale privileged position through their well-organized "gaps" in legislation and through union with corrupt officials at all levels.

10 *Federal'naya sluzhba gosudarstvennoi statistiki* [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].

11 Panin, G. (2010) *V raschyot VVP RF mozhet byt' vklyuchyon i tenevoi biznes* [Shadow business can be included in the calculation of the Russian Federation's GDP]. [Online] Rossiiskaya Gazeta [Russian Newspaper]. Available from: <http://www.rg.ru/2010/10/15/economica-site.html> [Accessed 16/06/14].

12 Analysis of the economic and financial situation of small business in Moscow: Analytical report number (2005). *Moscow Center for Enterprise Development, City information-analytical center*, 1, p. 49.

Small and medium-sized business has much smaller opportunities to achieve personal union with bureaucracy. For corrupt officials small and even medium-sized business is not the object of cooperation and participation in income (even illegal), but the object of the constant pressure and bribery. The downside of extortion is a permit and even a boost for shady activities.

Russian small and medium enterprises are constantly drifting between legal and illegal sectors to find the most favorable conditions. Adoption of certain new regulations, laws relating to small and medium-sized businesses, often (depending on their content) stimulates either withdrawal of a large group of SMEs from "shadow". Or, on the contrary, it stimulates more involvement of SMEs in the shadow economy.

Large-scale shadow economy confronts a high level of confidence in the business environment, in relations between business and government, which is specific for highly developed countries. With low level of trust it is extremely difficult to conduct any business activity, it dramatically increases the transaction costs. It dramatically reduces the overall competitiveness of the economy as a whole and its individual businesses.

The irrational administrative barriers. For countries of average and below-average level of development irrational or illegal administrative barriers to entrepreneurship play a very important role. Any economy needs administrative barriers as the elements of business transactions' rules. But in the countries of average and below-average level of development administrative barriers under the influence of the interests of the bureaucracy and the individual business groups become a tool for non-economic redistribution of income and a tool for irrational oligarchic monopolies establishment. Administrative barriers together with the shadow economy have a decisive influence on the entire national system of coordination in the economy in these countries. The irrationality of this coordination is compounded by distorted information flows of a significant part of economic activities. Shadow economy and bureaucracy make a serious distortion in the official data on the economic processes in the country. It is true for Russia and its small and medium-sized business.

The National Russian non-profit organization "Support (OPORA) of Russia" held a research named "The Rating Map of Entrepreneurs Rights Infringement" in different regions of Russia a few years ago. Results are as follows: small businesses

spend an average of 70 hours per employee on administrative barriers annually. Enterprises, where 20 or more people are employed, actually have to have a specialist on "Barriers" as a staff member. The downside of barriers is losses to businesses and society as a whole.¹³

Corruption of bureaucracy encourages small and medium-sized businesses to engage in the shadow economy, shadow economy hinders economic growth and preserves poverty, poverty stimulates the shadow economy and corruption of bureaucracy. This vicious circle, the institutional trap is very difficult to overcome.

The most relevant and pressing problem areas for Russian small businesses are: high rental rates, taxes, rising prices on energy, raw materials and tariffs. Next on the list are the problems of a shortage of funds for the development of small enterprises and the implementation of its investment projects, certification issues, difficulties in obtaining other permits and the total increase in competition. The lack of qualified personnel slightly increases.

Even with the connection to the redistribution processes around income from exports of raw materials and fuel, Russian small and medium-sized business is not rich. Poverty and the shadow economy are interconnected. Russian small businesses do not have a fixed capital. They mainly lease premises and equipment. They have no funds to purchase them.

Initially the Russian SMEs appeared in the underclass position. In other words, it is the so-called "commercial proletariat (working class)". The former head of the fore-mentioned "Support (OPORA) of Russia" Mr. Borisov made a correct remark, that "if a major part of small business doesn't possess any property, then talk about the small businesses as a middle class is not serious. Lack of property means no access to credit. Hence, small businesses are opportunists. They are not able to become middle class".¹⁴

A major problem of Russian SMEs extremely is a weak protection of its rights and property. There are several special laws designed to protect the interests

13 *Opora Rossii [Support of Russia]*. [Online] Opora.ru. Available from: www.opora.ru [Accessed 01/08/14].

14 *Opora Rossii [Support of Russia]*. [Online] Opora.ru. Available from: www.opora.ru [Accessed 01/08/14].

of small and medium-sized businesses in Russia. But in most of those laws there are loopholes, which allow avoiding law enforcement. They are not implemented in a number of Russian regions, citing the fact that one or another legal act cannot be implemented at all in the region. The latter happened in 2009 with amendments to the Law "On public purchases for goods, works and services for state and municipal needs" envisaging introduction of mandatory quotas for participation of small businesses within 10-20% of the total purchases volume. The authorities of many Russian regions refused to fulfill the requirement.

Judicial and law enforcement authorities have to implement the protection of property rights. But and that leaves much to be desired in Russia.

4. Limited capabilities of Russian startups

Nominally, the state system of support for SMEs should compensate for these difficulties.

The dynamics of Russian SME entities in 2008-2012:

Table 2. Dynamics of Russian small businesses (including micro) in 2008-2012

	2008	2009	2010	2011	2012
Number of enterprises, thousands	1348.0	1578.0	1644.0	1837.0	1996.0
%	100	117.1	122.0	136.3	148.0
Average number of employees, thousands of people.	10436.9	10247.5	9790.2	11478.0	11409.0
%	100	98.1	93.8	110.0	109.3
Turnover of small enterprises, including micro, from the sale of goods, products, works, services, (current prices) %	100	88.1	97.9	120.9	125.1

Small and medium enterprises in Russia now officially surpassed the main indicators of its pre-crisis level. From 2008 to 2012 the number of Russian small businesses (including micro) increased by 48%. The number of micro-enterprises increased by 65.2%. From 2008 to 2012 the number of employees (average number of employees) at small enterprises – legal entities of Russia increased by 9.3%. The turnover of small (including micro) enterprises of Russian legal entities for the four

years period increased by 25.1 %. The turnover of microenterprises across Russia fell by 3.5% (Table 2).¹⁵

Table 3. Dynamics of Russian medium-sized enterprises in 2008-2012

	2008	2009	2010	2011	2012
Number of enterprises, thousands	14.0	15.5	25.17	15.86	15.8
%	100	111.05	179.78	113.29	112.9
Average number of employees, thousands of people.	2176.4	2063.1	2582.9	2051.5	–
%	100	90.1	118.7	94.3	–
Turnover of medium-sized enterprises from the sale of goods, products, works, services, (current prices) %	100	97.75	236.72	164.6	126.6

Over the period 2008-2012 number of Russian medium-sized enterprises increased by 12.9% as a whole (Table 3).¹⁶

Table 4. Dynamics of Russian individual entrepreneurs in 2008-2012

	2008	2009	2010	2011	2012
Number of actually existing individual entrepreneurs, thousands of people	2742.0	2653.0	2927.0	2487.2	2599.3
%	100	96.8	106.7	90.7	94.8
Turnover of goods, works, services, (current prices) %	100	104.3	64.3	111.4	124.2

The number of actually existing individual entrepreneurs Russia from 2008 to 2012 fell by 5.2%, but the turnover of their products at current prices grew by 24.2% (Table 4).

Note that the inflation rate in Russia from 2008 to 2012 clearly exceeded 25%. As a result – the real turnover of Russian SMEs has not yet reached pre-crisis levels.¹⁷

There is a contradiction: some increase in the number of SMEs and the number of their employees in the absence of growth of their operations. This situation requires clarification.

15 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

16 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

17 *Federal'naya sluzhba gosudarstvennoi statistiki [Federal State Statistics Service of Russia]. [Online] RosStat. Available from: www.gks.ru [Accessed 18/07/14].*

Over the past 20 years, the entire Russian system of support for SMEs as an institution has been copied from the Western experience. It included also deregulation measures copied from the West, including the minimization of control, facilitating access to the grids, etc. Moreover, at the federal level, Russia in the past few years increased by a multiple the amounts of money allocated for the development of the entire system of support for small and medium-sized businesses, especially to facilitate, simplify the procedures for issuing credits to the start-ups.

Note that it is presumed to allocate about 3.4 billion U.S. dollars from the state budget only to increase SMEs' financing in 2013.

But with all the increase in public support for SMEs after the crisis fall, the recovery growth of the Russian small and medium-sized enterprises was observed only along with the Russian economy overcoming the first wave of the crisis. State incentives for start-ups increased the number of small businesses and jobs. But government support policies bear against the absence of the potential areas of application for small and medium businesses' forces. That means that the big budget money to support SMEs and the organizational efforts of the Russian state are expended inefficiently.

Concluding remarks

It is obvious that the whole Russian system for SMEs support, fold increase in the federal budget to support Russian SMEs occurred in the recent years, is unable to compensate for a generally unfavorable business environment in Russia.

It is necessary to improve the quality of investment, business climate and institutions in Russia. The real growth of the Russian SMEs can be expected only with the modernization, new industrialization of the Russian economy and business climate improvements.

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Особенности малых и средних предприятий в России¹⁸

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Аннотация

В статье анализируются особенности малых и средних предприятий в России, которые отстают от малых и средних предприятий по количественным и качественным параметрам. Причиной этого являются особенности структуры экономики России и монополизм крупных предприятий. В отличие от малых и средних предприятий развитых стран, субъекты малого и среднего предпринимательства в России не являются инновационными. Кроме того, в российских малых и средних предприятиях процветают неофициальное трудоустройство и нарушения трудового законодательства. Главной особенностью российских малых и средних предприятий, которая отличает их от таких же предприятий в развитых странах, является их вовлеченность в теневую экономику.

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Ключевые слова

Малое и среднее предпринимательство, малые и средние предприятия, Россия, деловая конъюнктура, теневая экономика, иррациональные административные барьеры, инновации, стартап-компании.

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