

## **SMALL AND MEDIUM ENTERPRISES IN THE RUSSIAN FEDERATION AND REGIONAL DEVELOPMENT**

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### **ABSTRACT**

The purpose of this article is to study the state of development of small and medium-sized businesses in the Russian Federation, to study their sectoral structure and territorial dispersion. The research methodology includes monographic, statistical, analytical research methods. The processes of territorial concentration of capital, people, and trade turnover have a significant impact on competitiveness and efficiency. Concentration under the influence of market laws leads to an increase in total social capital, contributes to increased competition. The main trends from 2008 to 2018 that we identified in the research process are: 1) a decrease in the size of medium-sized enterprises by 32.4%, 2) an increase in the number of small and micro enterprises — by 45%. We found that the regional dispersion of small business in Russia is heterogeneous. The largest share of small enterprises is concentrated in the Central Federal District of the Russian Federation, mainly in the city of Moscow and the Moscow Region (36%), the share of people in this district is above 30%, and the turnover of trade is the highest in the country - almost 49%. The share of investments in fixed assets is also the largest in the Central Federal District (37%).

Keywords: small, medium, business, Russian Federation, regional development

## **Introduction**

In recent years, we have heard many calls for the need to support and actively develop small and medium-sized businesses. The opinion of scientists on this subject is not the same.

In David McKenzie and Anna Luisa Paffhausen (2019), authors especially emphasize the fact that «in developing countries, small firms die at a rate of 8% per year, with mortality rates higher in rich countries, young firms run by young people»(McKenzie, Paffhausen, 2019). In the majority developing countries, «the largest share (over 90% of enterprises) belongs to micro enterprises» (Arrieta, Lara, Velez, 2019).

Interest in the activities of small and medium-sized enterprises in recent years tends to increase (Prashar, Sunder, 2020). In the work of New Zealand scientists, it is noted that entrepreneurship has every reason to become more and more international (Kahiya, 2020).

According to researchers from India, «representatives of small and medium-sized businesses give preference to internal funds (funds from family friends, relatives), and only then comes bank financing, in the form of long-term loans and funds from state and financial institutions» (Baker, Kumar, Rao, 2020). According to scientists from New Zealand, «access to bank loans and overdrafts increases the reinvestment of profits of small and medium enterprises by about 5% and 8%, respectively»(Wellalage, Reddy, 2020). In addition, the authors note the importance of a «fair judiciary and a decrease in corruption, which increases reinvestment of profits by 6%, while expropriation by the state leads to a reduction in reinvestment by 0.9 percent» (Wellalage, Reddy, 2020).

Indian researchers note that «small and medium-sized enterprises should be socially responsible». According to other scientists, for small and medium-sized enterprises, environmental sustainability should be the most important (Bakosetal. 2020). Scientists from Sweden think that the main direction for the sustainable development of innovations in small and medium enterprises should be focused on educational activities (Stal, Babri, 2020).

According to Italian scientists, «small family businesses can successfully overcome the barriers associated with the implementation of lean manufacturing» (Signoretti, 2020). At work of Brazilian and American scientists notes that «microenterprises must actively develop innovative potential, focusing on suppliers and customers». There is a big difference in the behavior of high-income consumers (Timokhina A, 2019), as well as high country risks of the business environment of different countries (Timokhina et al., 2019).

Small enterprises, according to most scientists, have more informal employment, lower professional training of staff, are accompanied by poor financing and have significant financial difficulties. This conclusion is clearly observed in our analysis of official statistics. Let's consider them.

## **Research results**

According to the official data of the Federal State Statistics Service for the period from 2008 to 2018, the number of medium-sized enterprises in the Russian Federation decreased by 32.4% (table 1), the number of which is not the same in different sectors of the economy.

Table 1. The structure of medium-sized enterprises of the Russian Federation by type of economic activity for 2008-2018

Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 to 2008 (+/-)
Wholesale and retail trade	19.0	23.1	24.1	24.2	25.3	26.4	27.8	29.5	28.3	28.9	37.5	18.5
Manufacturing	21.6	22.5	22.7	23	22.7	23.1	23.4	23.2	23.9	23.2	21.2	-0.4
Agriculture	22.7	19.9	18.8	18.1	17.4	16.8	15.3	14	12.6	14	13.0	-9.7
Construction	12.5	12.8	12.5	12.7	11.9	11.6	11.4	10.6	10.9	10.8	9.4	-3.1
Transport and communication	4.6	5.0	5.3	5.0	5.0	4.7	5.1	5.8	5.3	2.7	5.4	0.8
Real estate operations	8.5	8.5	8.9	9.1	9.8	9.6	9.3	9.1	9.8	10.3	3.1	-5.4
Production and distribution of electricity, gas and water	2.2	2.3	2.1	2.3	2.7	2.5	2.5	2.4	2.8	2.6	2.6	0.4
Hotels and restaurants	1.8	1.6	1.5	1.4	1.0	0.9	1.1	0.9	1.0	1.5	2.3	0.5
Healthcare	1.5	0.9	1.0	1.2	1.0	1.0	1.0	1.3	1.5	1.6	1.7	0.2
Other utilities services	1.4	1.2	0.9	0.8	1.1	1.1	1.0	1.1	1.4	1.9	1.5	0.1
Mining	1.3	1.5	1.7	1.6	1.5	1.7	1.6	1.6	1.8	1.7	1.7	0.4
Fishery, fish farming	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.1
Public administration	0.6	0.1	0	0.1	0	0	0.1	0	0.1	0.1	0.1	-0.5
Education	1.8	0.2	0	0.1	0	0	0	0.1	0.2	0.2	0	-1.8

Source: The official website of the Federal State Statistics Service of the Russian Federation. <https://www.gks.ru/> (Date of access: 01/18/2020)

From the data presented in table 1 it follows that for the period from 2008 to 2018. the proportion of medium-sized enterprises engaged in wholesale and retail trade increased from 19% to 37.5%. the second place in the specific place belongs to manufacturing industries - 21.2%, agriculture - 13%, construction - 9.4%, transport and communications - 5.4%, real estate operations - 3.1%, production and distribution of electricity gas and water - 2.6%, hotels and restaurants - 2.3%, health care - 1.7%, other services - 1.5%, mining 1.7%, fisheries and fish farming - 0.5% public administration - 0.5%.

According to the official statistics of the Russian Federation, the number of small enterprises increased by 45%, and the number of employees in them increased by only 3%. At the same time, trade turnover increased by 136% (or 2.4 times). The volume of investments in fixed assets increased 2.5 times (Table 2).

Table 2. Main indicators characterizing the activities of medium-sized enterprises in the Russian Federation by type of economic activity in 2018

Indicators	Employment structure of workers, %	Trade turnover, %	Share of investments, %
Wholesale and retail trade	37.7	61.6	11.3
Real estate operations	21.0	11.9	32.0
Construction	12.4	8.8	20.4
Manufacturing	9.4	6.8	8.1
Transport and communication	5.8	4.4	4.9
Agriculture	3.1	1.2	17.6
Section n Hotels and Restaurants	3.6	1.7	0.9
The provision of other utility, social and personal services	2.6	1.1	0.8
Health and social services	1.9	0.5	0.2
Production and distribution of electricity, gas and water	0.7	0.4	0.2
Mining	0.2	0.2	1.3
Education	0.3	0.1	0.0
Fishery, fish farming	0.2	0.1	0.1
Other	1.0	1.0	2.0

Source: The official website of the Federal State Statistics Service of the Russian Federation. <https://www.gks.ru/> (Date of access: 01/22/2020)

From the data of Table 2 it follows that the largest number of medium-sized enterprises is concentrated in the field of wholesale and retail trade. The largest share of employed workers (37.7%) also belongs to wholesale and retail trade. The largest share of trade turnover also belongs to wholesale and retail trade (61.6%).

The largest share of investments belongs to real estate (32%), construction (20%), agriculture (17.6%), manufacturing (8%), transport and communications (about 5%) and others.

The number of microenterprises in the country increased by 45%. In microenterprises operating in the Russian Federation by type of economic activity, the structure is heterogeneous (Table 3).

Table 3. Main indicators characterizing the activities of microenterprises in the Russian Federation by type of economic activity in 2018

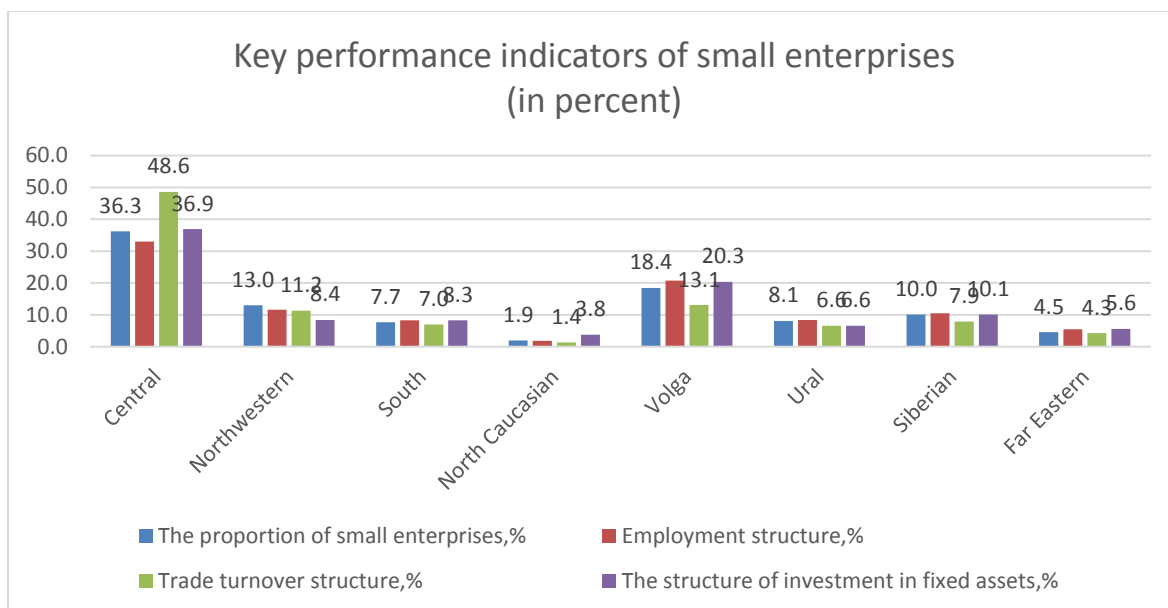
Indicators	Amount, units micro enterprises, %	Employment structure of workers, % average number of employees, %	Trade turnover,% turnover, %	Share of investments,% of investments in fixed assets, %
Trade	35.0	30.8	57.8	17.5
Construction	12.8	12.4	10.2	19.9
Scientific and technical activities	9.4	8.4	4.2	6.2
Manufacturing	8.0	11	7.4	8.7
Real estate operations	7.8	8.9	4.9	16.4
Transportation and storage	6.7	5.6	4.8	6.7
Administrative activities and related additional services	4.7	4.3	2.2	3.7
Activities of hotels and catering establishments	2.7	3.8	1.8	1.5
Agriculture, forestry	1.9	2.4	1.4	12.2
Healthcare	1.7	3.1	0.7	0.7
Culture, sport, leisure and entertainment	1.0	0.7	0.5	0.3
Water supply; water disposal	0.6	0.8	0.6	1
Mining	0.4	0.4	0.4	1.4
Electricity, gas and steam supply	0.4	0.7	0.4	0.8
Education	0.4	0.3	0.1	0.0

Source: The official website of the Federal State Statistics Service of the Russian Federation. <https://www.gks.ru/> (Date of access: 01/22/2020)

From the data presented in table 3 it follows that the largest share of microenterprises belongs to trade (35%), then construction (12.8%), scientific and technical activities (9.4%), manufacturing (8%), operations with real estate (7.8%), transportation and storage (6.7%), administrative activities (4.7%), hotel operations (2.7%), agriculture and forestry (1.9%), healthcare (1.7%), culture, sports, leisure and entertainment (1%), water supply (0.6%), mining (0.4%), provision of electric energy, gas and steam (0.4%), education (0.4%).

The largest share of the average number of employed workers belongs to trade (30.8%), construction (12.4%), manufacturing (11%), real estate operations (8.9%), scientific activity (8.4%), transportation (5.6%) and others.

Turnover in the field of trade is the largest and amounts to 57%, in construction (10.2%), in manufacturing (7.4%). Thus, 75% of the cash flow of small enterprises is concentrated in three sectors of the economy: in trade, construction and manufacturing.



Source: The official website of the Federal State Statistics Service of the Russian Federation. <https://www.gks.ru/> (Date of access: 01/20/2020)

Figure 1. Key performance indicators of small enterprises in the constituent entities of the Russian Federation

From the data presented in Figure 1 it follows that the largest share of small enterprises is concentrated in the Central Federal District of the Russian Federation, mainly in the city of Moscow and the Moscow Region (36%), the share of employment in this district is over 30%, and the turnover of trade is the highest in the country - almost 49%. The share of investments in fixed assets is also the largest in the Central Federal District (37%).

The second most concentrated small business is the Volga Federal District. Here 18.4% of small enterprises are concentrated, about 20% of employees are employed here, the turnover of trade is only 13%, and the share of investments in fixed assets is 20.3%.

The third most concentrated is the North-West Federal District, mainly the Leningrad Region and the city of St. Petersburg. There are 13% of small enterprises, about 12% of employees are employed, the turnover of trade is 11%. The share of trade turnover is about 8%.

In fourth place is the Siberian Federal District. Here is 8% of small enterprises, about 10% of employees are employed, the turnover of trade is 8%. The share of trade turnover is about 10%.

In fifth place is the Ural Federal District. Here is 8% of small enterprises, about 8.5% of employees are employed, the turnover of trade is 7%. The share of trade turnover is about 7%.

In sixth place is the Southern Federal District. Here 7.7% of small enterprises are located, about 8% of employees are employed, the trade turnover is 7%. The share of trade turnover is about 8.3%.

In seventh place is the Far Eastern Federal District. Here 4.5% of small enterprises are located, about 5% of employees are employed, the trade turnover is 4%. The share of trade turnover is about 5.6%.

The concentration of capital, people, and trade turnover is observed precisely in those regions where transport accessibility is well equipped and key financial centers are concentrated, including distribution centers.

## Conclusion

Imbalances in the economy of small and medium enterprises are acceptable to a certain level. In our opinion, a balanced policy is needed to ensure the redistribution of financial resources in favor of uniform territorial and sectoral dispersal. In the real sector of the economy, the concentration of capital is significantly differentiated by sectors of the economy. Many small enterprises are developing in conditions of a high degree of uncertainty characteristic of a transforming economy. We found that the largest share of small enterprises is concentrated in the Central Federal District of the Russian Federation, mainly in the city of Moscow and the Moscow Region. The second most concentrated small business is the Volga Federal District. The third most concentrated is the North-West Federal District, mainly the Leningrad Region and the city of St. Petersburg. In fourth place is the Siberian Federal District. In fifth place is the Ural Federal District. In sixth place is the Southern Federal District. In seventh place is the Far Eastern Federal District. The life cycle of small and medium enterprises depends on the wealth of the regions and the professionalism (experience) of their leaders.

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