



Small Business: Essence, Formation and Development

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ABSTRACT

In modern life of our country, the development of small business is one of the conditions for full-fledged market economy, sustainable economic development and stability in the social sphere. Trends of modern economics say that the efficiency of the economy of the country in which a significant role in the socio-economic development assigned to small businesses. The market economy cannot properly function without a large number of small businesses are the engine of competition. The innovative approach of economic development can only be realized through the development of small and medium-sized businesses, as effective may be just a small business, which is due to rational forms of organization, new technologies and the versatility of its employees achieve success in business. Big business in our country reaches success at the expense of administrative resources, the use of capital and the functioning of the monopoly on the verge of tweaks that will not lead to effective development of economy and society. Of course, this does not refer to all major companies of the Russian economy.

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JEL Classifications: E29, J59, M11

1. INTRODUCTION

Currently, the Russian development of market relations have identified the need for the formation and development of new forms of economic activity, in particular small businesses.

Small business provides the necessary Russian market saturation, a tendency to price stability, the competitive environment, which lacked large enterprises - monopolists, because of which the quality suffers and the process of introduction of new technologies has always been inhibited.

In order to support the Russian economy, it is necessary to focus on the development of small and medium-sized businesses. Economically it is advantageous, because a lot of firms leads to new jobs. Small businesses easier to manage in an uncertain rate of the national currency, it will bring real money in the budget is not only the center, but also the regions, which is especially important, given the selection of Moscow and a huge decline in

the Russian Federation. One of the biggest advantages is that the emergence of small businesses will inevitably lead to the emergence of competition in the domestic market, which lacked the Russian economy in the latter stages of development, which led to the creation of monopolies and concentration of power, both political and economic, in the hands of a small group of people who possess enormous capital. Small business - one of the key stakeholders, to ensure the competitiveness of the economy, job creation, innovation and growth in tax revenues. At the same time due to the small financial and personnel resources of small and medium business is the most vulnerable, especially during periods of recession. That is why these organizations and individual entrepreneurs need full support from the state and municipal authorities - property, financial, information, consulting, and others.

2. MATERIALS AND METHODS

The main sources of information for writing this material served as publications and reports, modern scientific approaches to the study

of the features of creation and development of small business in the Russian economy, their main advantages and disadvantages.

We used the methods of comparative analysis, grouping, systematic approach based on a comparison and a comparison of theoretical and practical material and solving practical problems. The following literary sources were used: Belolipetskaya “innovation policy in the region: Problems and prospects” (Belolipetskaya, 2012), Bessonov “small business in the modern economy” (Bessonov, 2013), Brizhanina “small business: The essence, the benefits of the development” (Brizhanina, 2014).

3. DISCUSSION

Analysis of the role of small business in the country’s economic system, the methods of state regulation of small business in the Russian Federation devoted to the work of the following authors: Doroshenko, Minaeva, Avilova, Somina, Leonova - “Socio-economic aspects of development of small innovative business in Russia” (Doroshenko et al., 2015), Shkurkin, Novikov, Kobersy, Kobersy, Borisova - “Investigation of the scope of intellectual services in the aspect of virtualization and information economy of modern Russia” (Shkurkin et al., 2015), Sogacheva, Logvencheva, Khramova - “Modernization of the sphere of tourist and hospitality industry of the South of Russia as a growth factor of socio-economic stability of the region” (Shkurkin et al., 2016) and others.

By the 80th years of the 20th century, the Russian economy was in a crisis situation, which required a number of reforms that marked the transition from a centrally-planned to market economies. So in the mid-80s party and economic high-level executives have decided to restructure the entire social and economic system of relations. The restructuring took place in the framework of the rule of state ownership and was accompanied by a democratization of management and publicity. In the process of transition from one economic system to another was the emergence of new forms of management. In this case it is the first form of small business.

The value of a small business in a market economy is very large. Without small business market economy nor operate or develop not. Formation and development of it is one of the main problems of economic policy in market economies. The stabilizing role of small business in economic development of the state is confirmed by international experience. The process of becoming a small business, along with such generally recognized factors as the increase in living standards, creating new jobs, strengthening social stability, the introduction of innovative products plays an important role in the formation of the middle class and promote social and economic stability of the state. Development of small and medium-sized businesses contributes to the solution of important problems, such as the formation of the economy and competitive environment of the market infrastructure; saturation of the market in goods and services; an increase in tax revenues in the budgets of different levels; strengthening business ethics, experience of advanced technology to manage economic units into different sectors of the economy (Barmuta et al., 2015; Kobersy et al., 2016). Therefore, the vast majority of developed countries in every possible way encourages the activities of small businesses.

According to the decree of the Government of the Russian Federation of July 15, 2015 № 702 “On the limit values of the proceeds from the sale of goods (works, services) for each category of small and medium enterprises” (RF Government Decree N702, 2015) limits of proceeds from the sale of goods (works, services) for the previous calendar year, excluding value added tax for the following categories of small and medium-sized businesses:

- Micro-enterprises - 120 million rubles.
- Small businesses - 800 million rubles.
- Medium-sized enterprises - 2 billion rubles.

Over the previous calendar year, the average number of employees of the organization should not exceed limits for the number of each category of small and medium-sized businesses:

- From 100 to 250 people inclusive of medium-sized enterprises;
- Up to a 100 people, inclusive for small businesses (up to fifteen micro stand out among small businesses).

The expansion of the sales market for small and medium-sized enterprises contributes to adoption of Federal Law No. 44-FZ dated 04.05.2013 “On the contract system in the procurement of goods, works and services for state and municipal needs” (Federal Law No. 44-FZ, 2013).

According to the adopted law, 15% of the purchases will occur in the specialized trades for small businesses.

The prerequisites of the emergence of small businesses as an economic phenomenon are the following socio-economic factors:

- Crisis of the administrative-command system of economic management;
- Shortage of goods, works and services;
- Excessive monopolization of production, service and sales, it is not possible to react to market conditions;
- Legalization of business activities;
- Reduction of production volumes and the emergence of free labor.

The economic activities of small business are determined, above all, the economic interest of its subject. So, small business entity interested in obtaining maximum income from their economic activities. The state exempts the income of the entrepreneur in the form of taxes and obligatory payments in order to ensure the economic interests of the state and society. On the face of the presence of opposing economic interests. In this connection, the account the economic interests of all economic actors becomes very essential. The ideal is to be a compromise of interests of all participants in economic relations.

Small businesses as participants of economic relations, especially in the beginning of its activities, most painfully felt the impact of the contradictory economic interests. For example, an entrepreneur interested in income receipt, at the same time carries the tax burden, the costs of the production and sales, the cost of payment of wage labor, and etc., Consequently, the economic interest of the entrepreneur is in an effort to reduce costs, which can be achieved as a legitimate, and illegally. Sometimes irrational public policy provokes an entrepreneur to violation of the law (e.g., excessive

tax oppression), which leads to an increased risk of entrepreneurial activity and reducing the number of business structures.

Development of small business has a number of important advantages:

- Increase in the number of owners, and, therefore, the formation of the middle class;
- Increase in the share of the economically active population, which increases the income of citizens;
- Creation of new jobs with relatively low capital costs;
- Development and introduction of technological, technical and organizational innovations;
- Indirect stimulation of the development of production in large companies by entering new markets, which were previously considered reputable firms as insufficiently capacious;
- The elimination of the monopoly producers, creating a competitive environment;
- The mobilization of material, financial and natural resources that would otherwise remain unused;
- Better cooperation between the various sectors of the economy.

Also, the main advantage of small business in modern conditions is much more flexible than the large, the response to the rapidly changing demands: The ability to track and respond to a new need immediate mobilization of its resources and capabilities. Small enterprise easier to restructure its marketing strategy as soon found a new “niche” and manipulate for their products prices. Before him hardly will face the problem of wage earners organized opposition, defending the union via their jobs or wages.

In addition, small business, are generally more economical. In small enterprises compared to large short periods of capital construction, to create them need relatively little start-up capital. Turnover means they 2-2.5 times higher. These companies usually make better (Ojala and Isomäki, 2011) use of its equipment and production areas, do not hold large stocks. They successfully save on administrative expenses due to the ease and flexibility of management procedures.

The benefits of agility and cost-effectiveness are particularly important when the small business reaches a high level of specialization. The most competitive small enterprises, as a rule, are highly specialized and it is as such fully participate in the production process as it is an integral component, the existence of which is vitally interested in big business.

Small business development contributes to the gradual expansion of the layer of small property owners (middle class), providing their own well-being and a decent standard of living, which is the basis of social and economic reforms, the guarantor of stability and the democratic development of society.

It should also be noted that small business employment is not only a source of decent living standards (Zakharov et al., 2016), but also the way the disclosure of internal capacity of the individual entrepreneur. Objectively, the inevitable restructuring of the

economy is forcing a growing number of people to do self-employment.

Small business plays an important role in the fight against unemployment, as job offer in small towns where there is a lack of jobs, or there is not a competitive demand for labor. During the period of self-employment crisis (self-employment) can provide work of individuals. Small businesses can fully realize their professional and creative potential of people with disabilities.

Innovative entrepreneurial business is one of its characteristic features. Entrepreneurship Theory actively developed throughout the 20th century. Weber (Weber, 1968) pointed out that the business activity - is the embodiment of rationality, i.e., functional efficiency. A significant contribution to the development of the theory of Joseph Schumpeter introduced, which gave a definition of an entrepreneur as a person who is trying to turn a new idea or invention into a successful innovation. Ownership of the company is not considered mandatory Schumpeter business environment.

Johann von Thünen recognized the possibility of the existence of business without innovation, it is considered the essence of the business income as payment for risk. Keynes as the main motive of business saw a desire for a better life and financial independence (Blaug, 1992).

4. RESULTS

Small businesses are an integral part of the economy of most industrialized countries. They perform a number of important social and economic functions, such as employment, the formation of the competitive environment, the maintenance of innovation activity, mitigation of social inequality.

Currently in the EU there are about 16 million. Enterprises, excluding the agricultural sector. They employ about 101 million people. (Total employment in EU-member countries of 150 million Pers.). In the EU, 99% of enterprises have a number of employees not more than 250 people. More than 90% of the total number of enterprises of the EU member states (Around 15 million units) are very small. On each of them it does not work more than 10 people. Half of businesses in the EU are “one-men businesses,” which is only the owner and possibly some members of his family. Another 43% of companies have a number of not working more than 10 people. Together, these very small businesses provide a third of jobs in the EU countries and a quarter of the total turnover. Field activities of these enterprises - construction, trade, and business services.

Okolo 1.1 million. Enterprises have a number of employees from 10 to 249 people. These businesses are classified as small and medium-sized. They provide work-thirds of the working population and produce nearly 40% of the total turnover. About 1 million. Enterprises are classified as small (10-49 pers. Employed). They provide Okolo 119 million Jobs. On average, one company of the group employs 20 people. More than half of all employees in small enterprises (55%) are employed in trade and services. The remaining 45% of the employed work in construction and

various industries. Medium-sized enterprises are those which employ between 50 and 249 employees. This definition is subject to about 1% of Western European companies. In medium-sized enterprises operating around 15% of all employed in the economy, they give a fifth of the total turnover. The average size of the enterprise class - 100 people. Small businesses are common in all sectors of the economy (Zhuplev and Shtykho, 2009; Nadochy et al., 2016). Large enterprises dominate in the capital-intensive industries and "large" services. The successful development of small businesses in developed economies due to the fact that large-scale production is not opposed to the small, but carried out the principle of co-operation of large and small businesses, and large companies do not suppress a small business, interacting with each other, especially in the area of specialization of individual industries and innovation developments.

Large-scale production is more focused on massive (Mamycheva et al., 2016), relatively homogeneous demand. Small businesses are successfully operating in small market segments, giving the economy the flexibility, mobility, ability to rapid structural and technological shifts.

Fundamental changes in consumer tastes, technology, financial markets give small businesses an advantage over larger organizations. They are not bureaucratic structures, together with the concentration of decision-making power in the hands of the owner of the company, allow small businesses to benefit from changes in the environment. Public behavior of small businesses based on a direct relation to the local and national interests and therefore urges them in their daily lives to strengthen ties with constant and potential clients from different social groups.

The disadvantages of small business and the EU should include the relatively low yield, high labor intensity, the complexity of the introduction of new technologies, limited own resources and increased risk in the competition, which leads to a constant renewal in the small business sector as a result of massive bankruptcies. Because of the newly created small enterprises in a year is about 50% after 3 years 7-8% Cherez 5 years is no more than 3%. At the same time, the total number of small businesses tend to grow in the place of the liquidated companies are constantly new ones. For a long time it was believed that the basis of economic development in almost all countries of the world, support the world economy is a big business. He was the foundation of economic growth, a source of progress. A small business is considered more form of production, at best, was a branch of a large enterprise. This opinion is proved to be wrong.

The contribution of small businesses in the US economy is about 50% of gross domestic product (GDP), in Russia about 21-22%, and in China's economy for more than 60%. Russian President Vladimir Putin said that the need to achieve to enhance the contribution of small and medium-sized businesses in Russia's GDP. Indeed, the development of small business in Russia is of great economic importance (Frolova et al., 2016).

On January 1, 2013 as compared to January 1, 2012 the number of small businesses per 100 thousand of population increased in

69 regions of Russian Federation. The most significant increase in small business enterprises mentioned in Saint Petersburg (in 932 units), Krasnoyarsk region (539), Kaliningrad (532) and Tver (509) regions, Chukotka Autonomous Okrug (467) Tomsk Region (461), the Republic of Khakassia (375), Magadan region (371), Khabarovsk region (361), Penza (337) and Leningrad (331) regions and Nenets Autonomous District (308).

The number of small enterprises in 2013. It decreased only in 14 regions. The most significant drop was recorded in the Trans-Baikal region, where the number of small enterprises has decreased by almost a quarter (25.6%), that is minus 165 small businesses for every 100 thousand inhabitants. Also, there was reduction in the number of small businesses per 100 thousand inhabitants in Vladimir (95), Novosibirsk (90) and Nizhny Novgorod (85) regions, Moscow (92) Perm Region (83), the Chechen Republic (61), Voronezh field (32), the Stavropol region (24), Yamalo-Nenets Autonomous District (23), Udmurtia (23) and Chuvashia (14), Krasnodar region (64) and Republic of Tyva (4).

The number of employed in small enterprises increased in most federal districts. The highest growth was recorded in the North Caucasus (5.9%) and Volga federal districts (3%). The share of workers of small enterprises in the total average number of employees in these districts rose by 1 and 0.8 points respectively. To a lesser degree indicator increased in the Far East (2.6%), Siberian (1.8%) and Ural (1%) Federal Districts, as well as in the Southern Federal District (0.5%).

The volume of investments in fixed assets in small enterprises in 2013. The whole of Russia amounted to 521-545 million rubles, which is 20.9% higher than in 2012 (taking into account the consumer price index (CPI) growth in investment in fixed assets amounted to 13.7%). The positive dynamics of the volume of fixed capital investment in small businesses, taking into account the CPI was observed in all federal districts, the highest growth was recorded in Central (figure rose to 19.1%) and the North Caucasian Federal District (19%). In the Volga Federal District - the growth rate was 15.7%, in the North-West - 13.2-11.2% Urals, the Far East - 11%. In the Siberian and Southern Federal Districts, the growth rate was slightly lower - 7.8% and 7.6%, respectively.

In some regions, investments in the reporting period were not carried out, or their volumes appeared small, and the Federal State Statistics Service is not included in their statistical summaries, where index values are aggregated over millions of rubles (Chechen Republic).

To the leaders in terms of growth rate are: The Republic of Kalmykia (figure increased by 3.4 times), the Republic of North Ossetia-Alania (3.1 times), Orel (3 times), Lipetsk (2.4 times), Chelyabinsk (2.2 times), Bryansk region (2 times) and Kursk region (2 times).

5. CONCLUSION

Small business has the ability to expand the scope of work, to create new opportunities for employment and entrepreneurial population.

Businessmen are often used not only specialization benefits, the special atmosphere of interest, but also the opportunities offered to them through industrial cooperation: Risk-sharing, research and development, economies of scale. The structure is dominated by small businesses Russian outlets. With this kind of economic activity operate 38% of small businesses - legal entities and 52.8% of individual entrepreneurs. In the current situation requires a structural shift towards knowledge-based activities in accordance with the objectives of the national economy. Sectorial diversity of small businesses, multi-variant created structures for small business support, resource sources of support, high uncertainty of the external environment, the need for situational approach must make an adequate development of small business management. The principles of small business management should be: Profitability programs and small business support projects, computerization of processes, the competitive principle, the equality of the external conditions for the development of small businesses, regardless of their form of ownership, and other characteristics, the prevalence of economic mechanisms of action, coordination of processes of small business support and development of the territory.

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