

EVOLUTION OF DOMESTIC SMALL AND MEDIUM ENTERPRISES: HISTORICAL JOURNEY

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ABSTRACT-- *The article discusses the features of the formation of small and medium enterprises in the Russian Federation, outlines the stages of development of small and medium enterprises in the 1990s. The place of small and medium enterprises in the formation of the country's GDP is indicated.*

Key words-- *small and medium enterprises, entrepreneurship, development, establishment, capital deficit, stage of development, crisis.*

I. INTRODUCTION

The small and medium enterprises sector is one of the key elements of a market economy. Small and medium enterprises act as an internal source of sustainable economic development, as well as providing material welfare of the state's population in a market economy [1]. Small and medium entrepreneurship is not only a certain form of doing business, but in general it is an important tool for reforming the economy and the basis for its stable development. Small and medium enterprises contribute to the creation of new jobs, reduce unemployment, fill the market with new services and goods [1]. The evolution of the development sphere of small and medium enterprises has passed a fairly large number of stages. The study of this experience will allow to take possible problems into account and form the basis for the effective development of this area.

II. Statement of basic materials

According to official statistics provided on the website of the Federal State Statistics Service, the share of small and medium enterprises in Russia in 2017 amounted to 21.9%, in money terms this amount is more than 20 trillion rubles. The indicator is defined as the ratio of the cumulative volume of gross value added created by small and medium enterprises (including microenterprises) and individual entrepreneurs to gross value added at basic prices of all economic entities. In addition, according to experts, by 2025 the share of small and medium enterprises in the country's GDP will have amounted to about 40%. It is also advisable to draw attention to the fact that the share of small and medium enterprises in GDP in developed countries is about 50-60%. In the USA it makes up about 50%, in the UK - 51%, in the Netherlands - 63%.

If we consider earlier periods, then the share of the contribution of small and medium enterprises to the country's GDP in previous years was lower, therefore, it is necessary to consider which instruments of state regulation led to the growth of small and medium enterprises.

Let us consider the formation stages of small and medium enterprises in the Russian Federation in more detail.

The first stage is the emergence of small and medium enterprises in 1985-1988, when the first small business associations appeared, mainly in the light industry. In this period, the social psychological foundations of private ownership were formed.

The next stage – the formation and gradual development of small and medium enterprises falls on 1988-1989. The main goal of creating and developing small and medium enterprises was to satisfy market demand for

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consumer goods, however, entrepreneurial structures did not exist for long in this period and rarely remained in the market for a long period of time.

The third stage is the formation of the legal status of small and medium enterprises, these processes took place in the period of 1989-1991. In this period, the concept of private ownership was adopted, the legal framework for doing business was being formed. The legislative consolidation of the status of small and medium enterprises led to the active development of this sector in the period of 1989-1991. It was during this period that more and more people were engaged in small business, and large enterprises switched to self-financing and economic accounting.

This stage has been marked by the beginning of the privatization process as well, which can be considered the first big step for the development of a market economy.

The fourth stage is the transition of small and medium enterprises to larger ones, the formation of prerequisites for the formation of a free market, such transformations are characteristic of 1991-1993. Active development of small and medium enterprises has led to the concentration of capital in the hands of criminal structures and the criminalization of business in general. At this stage, there is a need for capital, as a result of which a basis is formed for the creation of banks, credit unions, co-financing funds, etc.

One of the first documents that determined the state policy in the development of small business was the Decree of the Council of Ministers of the RSFSR No. 406. `On measures to support and develop small enterprises in the RSFSR`, adopted on July 18, 1991. In accordance with this Decree, small enterprises included all legal forms established by the RSFSR Law on Enterprises and Entrepreneurship, with an average number of employees not exceeding 200 people (including in industry and in building construction - up to 200 people; in science and scientific services - up to 100 people; in other sectors of the production sphere - up to 50 people, in non-production sectors - up to 15 people) [6].

At the same time, the state determined the conditions for economic support. Small enterprises were provided with profit tax relief up to the amount of tax credited to local budgets if entrepreneurs solved urgent problems of saturating local markets. The government found it possible to establish the right for small enterprises in the first year of operation to additionally write off for depreciation up to 50% of the original value of assets with an operating time of more than three years, as well as to accelerate depreciation of the active part of production assets [2].

Executive authorities at all levels have been included in the system of state support for entrepreneurial activity. They have been supposed to provide the following types of support [9]:

to assist in the material and technical and informational support of entrepreneurs, in the transfer, sale, leasing of free production areas, equipment, non-living premises, mothball incomplete buildings and constructions; assets under construction;

to establish the development, manufacture and profit taking of small production areas of modular design, other means of production for small enterprises;

to introduce preferential taxation of profits earned by banks when crediting small enterprises, using the capabilities of the Fund for Entrepreneurship Support for this purpose to assist small enterprises in the development of foreign economic activity, including to ensure their access to a single system of foreign economic information on a negotiable basis, to develop additional incentive measures of international business activity of small enterprises;

to implement measures of financial support for the small enterprises being created, to establish republican, regional, municipal and other funds to support small enterprises through the budget, voluntary contributions from state, public and other enterprises, institutions, organizations and citizens, including foreign ones;

to arrange the appropriation of budgetary funds for the established support funds to stimulate the development of priority activities of small enterprises and the implementation of regional programs to support small entrepreneurship;

to develop and implement measures that provide comprehensive training and advanced training for small enterprises, including abroad, to create and issue educational manuals on entrepreneurial activities;

to generalize and disseminate domestic and foreign experience in the creation and activities of small enterprises.

In accordance with the Decree “On measures to support and develop small enterprises in the RSFSR”, republican, regional, municipal and other small entrepreneurship support funds could issue guarantees to credit and insurance institutions on loans to small enterprises and on insurance premiums for insurance of commercial risks;

The fifth stage is large-scale privatization of property and the development of various forms and types of entrepreneurship, the time period of 1994-1995 was characterized by the final transition to private ownership and very high inflation, which became a prerequisite for the development of the crisis in 1998.

The sixth stage is the economically regular deficit of capital and the emerging transition from trade and intermediary activities to production in 1995-1998. Significant concentration of capital, its deficit and lack of experience in building a business led to the 1998 crisis, which led to the liquidation of many small and medium enterprises.

At this stage, the focus of economic policy on creating a concept for the development of small entrepreneurship in the Russian Federation is clearly traced. Concrete measures are being developed for real assistance to small entrepreneurship throughout the country with the provision of autonomy to the regions in solving these problems.

In 1995, the State Committee of the Russian Federation for Small Business Support and Promotion was formed. This committee has received fairly broad powers. It is entrusted with the development and implementation of all international assistance in this area.

In 1995, the situation in small entrepreneurship was characterized by the following indicators: there were 877.3 thousand small enterprises in the Russian Federation, the share of profit earned by them amounted to 1/5 of the total profit received by the Russian economy. Employment is given in Table 1 [7].

Table 1 Main indicators characterizing the development of small entrepreneurship in 1995. [Error! Reference source not found.]

Industry	The average number of employees at the SE, thousand people	Employment by industry at the SM, %	Share in the total number of employed in the industry, %
Total	8944,8	100	15,7
Industry	2589,7	29,0	15,6
Agriculture	93,4	1,0	1,3
Building and Construction	2624,4	29,3	48,5
Transport and Communication	185,0	2,1	3,9

Trade	2235,0	24,6	46,4
General commercial activities to ensure the functioning of the market	320,8	3,6	93,9
Housing and utilities infrastructure, domestic services	106,8	1,2	4,7
Science and Scientific Services	231,9	2,6	15,8

The seventh stage is the post-crisis development of small and medium enterprises in 1999-2003, the formation of prerequisites for stimulating small enterprises to increase added value; the first tax incentives and incentive tools for the development of small and medium enterprises.

The eighth stage is a more systematic and uniform development of small and medium enterprises in the period from 2003 to the present.

The current development stage of small and medium enterprises is characterized by increased state interest in this area of entrepreneurship and the introduction of various governmental tools to stimulate the development of small and medium enterprises.

As the development experience of small and medium enterprises, analyzed in the article, shows only state support and legislative regulation of this sphere gives positive results in the form of growth in the financial results of small entrepreneurship and their share in the country's total GDP.

III. Conclusion

As the results of the assessment and analysis of the stages of development of small and medium enterprises show, this area was the first to emerge in the conditions when market relations formed, as the most dynamic and mobile type of business. In addition, this type of entrepreneurship is today a priority for the national economy, which is confirmed by the government's plans to increase the share of GDP generated by small and medium enterprises from 22% in 2017 to 40% in 2025.

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