

Problems of Small Business in Russia

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Introduction. Similar to many other countries, small businesses in Russia play a significant role in the development of national economy. Implementation of the efficient state policy to support business activities and creation of the positive entrepreneurial environment are the fundamental principles of the successful development of this sector for the economy.

The aim and methods. The aim of the respective research is to identify key challenges, hindering the development of the small businesses in Russia by conducting analysis of the day-to-day activities and empiric parameters of the small businesses.

Results and conclusions. The analysis shows that the technological and innovation sphere of activities of small businesses in Russia remains underdeveloped, which was largely driven by little demand for the above-mentioned basis in the domestic market that resulted in the negligible profitability of such activities. The same process stays behind the lack of venture entrepreneurship based on technological undertakings.

Notwithstanding financial influx from the regional budgets, the actual business infrastructure aimed at supporting small businesses is trifle in its capabilities and scale, as there is an obvious lack of the universal model for such infrastructure across all regions of Russia.

Infrastructure entities remain the pillars of the state system of promotion of small businesses, consisting of 77 state funds for support of entrepreneurship with total assets equivalent to 2.24 billion rubles, 370 municipal funds, roughly 50 agencies, 80 business incubators and approximately 50 scientific and technological parks.

Persistent criminal component has a negative impact on the development of small businesses as well; more than 1/3 of the total turnover of small businesses still stays within the boundaries of shadow, or "grey" economy.

This is largely driven by: (1) low protection of ownership rights; (2) corruption; (3) inefficient law enforcement; (4) lack of available financial resources (5) hard access to working capital financing; (6) availability of barter schemes; (7) red tape; (8) underdeveloped market infrastructure, tax burden and others. Administrative barriers in Russia are one of the key obstacles on the way of free development of small businesses in Russia. They represent a complex system of relationship between businesses and state bodies, characterised by intense competition for preferential treatment.

Among such barriers one can name such as hard license/permission application process, red-tape, unlawful action of civil servants within the monitoring and supervising of activities of small businesses, subjective treatment and interpretation of the state acts by municipal authorities.

Lack of informational support on federal level also hinders the development of the small businesses.