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State support of Small and Medium Enterprises in the Russian Federation: Challenges and Opportunities in the Republic of Tatarstan

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<p>The aim of this thesis is to investigate and identify the present status of State Support of Small and Medium Enterprises in the Russian Federation, with a particular focus on the Republic of Tatarstan, as well as to analyse the possible reasons for the status quo.</p> <p>In the first part, the relevance of the topic is justified by highlighting the importance of business development for the overall well-being of society. Moreover, the laggard state of business development in Russia is showcased by statistical data.</p> <p>The thesis then identifies the relevant literature upon which the research is based, outlines the research process and methodology. The theoretical base of the thesis is explained with the help of secondary data analysis. Expert interviews with both representatives of the business sector, as well as with relevant government workers contribute to further deeper analysis of the topic.</p> <p>In conclusion, the thesis looks and evaluates the hypotheses specified in the introduction chapter. Suggestions on improvement of status quo as well as opportunities for further research are provided.</p>	
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Contents

1	Introduction	1
1.1	Object and subject of the Research	3
1.2	Research objectives and questions	3
1.3	Thesis structure	4
2	Literature Review	5
3	Methodology	8
4	Small and Medium Enterprises as subject of economic relations	11
4.1	Definition and characteristics of entrepreneurship	11
4.2	History of entrepreneurship development in Russian Federation	13
4.3	Normative and legal framework of entrepreneurship in Russian Federation	17
4.4	Business climate evaluation parameters	22
4.4.1	Stability of government regulations and policies	22
4.4.2	Public attitude towards entrepreneurship in general	24
4.4.3	Comprehensible process of registration of enterprises	27
4.4.4	Favourable taxation legislation	28
4.4.5	Developed system of state support of entrepreneurship	34
4.4.6	Effective system of intellectual property protection	41
4.4.7	Understanding and acceptance of business ethics	44
4.5	The policy of Republic of Tatarstan on development of Small and Medium Enterprises	45
5	Current entrepreneurial climate in Republic of Tatarstan	50
5.1	Problems and challenges of the status quo	51
5.1.1	Administrative aspects	51
5.1.2	Taxation system	52
5.1.3	Shortcomings of the existing structures of state support	52
5.1.4	Information deficiencies	53
5.1.5	Lack of qualified human resources	53
5.1.6	The attractiveness of available resources	54
5.1.7	The impact of political events on the business sector	54
5.1.8	Aspects of mentality affecting the business	55
5.1.9	Corruption of state structures	56

5.1.10	Availability of more attractive opportunities	56
5.1.11	Working conditions in the public bodies responsible for the development of SMEs	56
5.1.12	Other factors	57
5.2	Opportunities and suggestions to improve the current situation	57
5.2.1	Existing and planned programmes of state support	58
5.2.2	Favourable location	58
5.2.3	Availability of human resources	58
5.2.4	Interest towards investment	59
5.2.5	Infrastructure development	59
5.2.6	Informational support	59
5.2.7	The willingness of state structures to take action	59
5.3	Addressing the research questions	59

6	Conclusion	61
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	References	63
--	------------	----

Appendices

Appendix 1. Translated transcription of expert interviews

List of Figures

Figure 1	– Overview of existing legal forms of organization	20
----------	--	----

List of Tables

Table 1	- Overview of enterprise classification criteria	21
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1 Introduction

The ever increasing public interest to the Small and Medium Enterprises (SMEs) is not accidental. First of all, the global hype around SMEs or Startups is still on the rise. Indeed, the number of founded companies continues to grow from year to year, new Startup conferences are being launched every year attracting increasingly more people, while new financing instruments such as crowdfunding make it easier than ever to found one's own company. In addition, impressive examples of companies like Facebook, Amazon and Uber, which could successfully capitalize their markets and achieve worldwide recognition inspires young entrepreneurs around the world. Secondly, SMEs form the backbone of many national economies. Research from Eurostat and European Observatory of SMEs (2015) confirms this fact with impressive statistical data: 99% of all European companies fall into the category of SMEs, and provide over 100 million jobs, which comprises 66,5% of working population of Europe. As for the Russian Federation, according to Rosstat and Federal tax service of Russia, as of 2014 there were around 2117,5 thousand registered SMEs, which employed around 18 million people, which comprises a modest 25% of working population (Federalnaya Sluzhba Gosudarstvennoi Statistiki [Federal State Statistics Service], 2016).

Overall, SMEs and entrepreneurship in general are considered to be one of the main sources of dynamics, innovation and local development (OECD, 2007). Moreover, according to the Schumpeterian point of view, entrepreneurs stimulate innovation, accelerate structural changes in the economy, promote competition, improve productivity, create new jobs and provide a significant contribution to national competitiveness (Amorós & Bosma, 2014). Considering all of the facts mentioned above, it is safe to say that the issue of development of Small and Medium Entrepreneurship is one of the most important for the successful development of the economy.

However, successful development of the entrepreneurial sphere requires several preconditions to be fulfilled. First of all, an innovative, appropriate and feasible idea, as well as the right team, and the availability of open market opportunities. In addition,

the availability of necessary investment, transparency and clarity of the process of state regulation of SMEs play an important role. Questions of funding and state regulation are of particular importance to the entrepreneurs. In case of financing, there are several ways to raise the necessary funds: Business Angels, venture capital funds, bank loans, as well as such relatively new instruments of financing like crowdfunding. As for the state regulation, it largely predetermines the overall development of SMEs in the country: how easy or difficult will it be to open own business, what kind of authorities the entrepreneur will have to deal with, amount and order of taxation, specifics of Employment Law, opportunities to receive state aid, and so on.

In other words, state regulation defines how attractive the conditions of running one's own business are. As mentioned above, SMEs serve as indicators of economic stability and development, as well as comprise the base of a healthy economy. Thus, the efficiency of the state support and regulation of SMEs can be directly linked to the economic well-being of the country.

There are a few programs in Russian Federation which are aimed at supporting the development of SMEs, both on federal and regional levels. Yet despite some positive effects the state support brings, the overall level of development of SMEs is far from the set goal: it was noted at the Russian State Council meeting in April 2015, that development of the SME sector should be accelerated. Currently the contribution of SMEs to the country's GDP does not exceed 21%. The set goal for 2020 aims to increase this number up to 45-50%, as well as increasing the number of citizens employed in SMEs to 35-40 million (Kremlin, 2015).

There are many possible reasons for the laggard development of the sector. Often conditions for obtaining state aid or requirements for its expenditure are too strict and rather demotivating for the entrepreneurs. Moreover, people have shown themselves reluctant to contact authorities for help in fear of corruption, extortion and bureaucracy.

After careful consideration of aforementioned information, it becomes clear that there is a problem in development of SME sector in Russian Federation. However, considering the distinctiveness in regulation in numerous territories of the Russian

Federation, a detailed analysis covering the whole territory of the country falls outside of the scope of this work. Therefore, the author decided to narrow the scope of research to one region in Russia, namely, the Republic of Tatarstan. Tatarstan is a Federal Republic with population over 3,8 million, situated at the confluence of rivers Volga and Kama. According to ratings it consistently remains in the top 10 regions with the best quality of life in Russia, and is one of the most economically, industrially and culturally developed regions apart from Moscow and Saint Petersburg (Vestifinance, 2016). Therefore, it is of particular interest to explore existing state support, its effects and the reasons for insufficient SME development on the example of a "prosperous" Republic.

1.1 Object and subject of the Research

The economic development of Russia is characterized by uneven distribution of economic activity across the country. Most of economic and innovation potential is concentrated in big cities with a million population, while regional centres lack in drive. Therefore, development and growth SMEs on regional and municipal levels is one of the prioritized goals of the government nowadays, as it supplies jobs, drives innovation and brings about positive changes for the community. For this reason, the SME sector of Republic of Tatarstan was selected as the object of the research. The current conditions of SME development, such as existing legal regulations, and available resources; as well as problematic areas and opportunities were, in turn, defined as the subject of the research.

1.2 Research objectives and questions

In the light of the facts mentioned above, the main objective of this research is to study the conditions of development of SMEs in Russian Federation, and in particular in the Republic of Tatarstan, and to identify areas for improvement of the business climate.

To reach this objective the following research questions were developed:

1. What is the legal framework for SMEs in Russia? Why is the effect of state support programs on the development of the SME sector lower than desired by the government?
2. Which challenges and/or opportunities do active participants of SME sector (both from governmental as well as from business side) identify?

3. Which actions could be taken in order to improve the current level of development of SMEs in Russia?

The author has identified several possible hypotheses:

H1 – state benefits and subsidies create the base for development of SME sector. However, the level of awareness and/or trust in these programs negatively affect their effect on the development of SME sector.

H2 – main challenges in the development of SMEs are bureaucracy, poor infrastructure and lack of qualified personnel.

H3 – government subsidies can improve the situation only to a certain extent. In order to dramatically change the situation, it is necessary to create an overall favourable business climate, which requires use of integrated measures.

1.3 Thesis structure

The thesis is logically structured in three main parts: introduction, main body consisting of 4 chapters, and conclusion. Introduction provides insights on the relevance of the chosen topic, as well as defines the Object and Subject of the research, Research Questions, and Hypotheses. The main body is, in turn, separated in four chapters. The first one – literature research, lays down the foundation upon which the whole thesis, as well as later research is built, and comprises of finding and critically evaluating existing knowledge concerning the topic area. Analytical framework chapter, in turn, provides theoretical base for addressing the research questions. As for the methodology chapter, it offers insights on the research mechanics and design, by explaining what shaped the choice of methods used for data collection and analysis. Results and analysis chapter, as the name suggests, deals with analysing and evaluating collected data, along with answering the research questions, and addressing stated issues. Conclusion logically summarizes conducted research and discovered insights, it reflects on potential for further research possibilities and presents improvement recommendations concerning the topic. Apart from that thesis contains appendices, list of references, tables and figures.

2 Literature Review

Entrepreneurship has always been a point of interest for social scientists. This is not surprising considering that businesses remain, as mentioned above, one of the leading forces of innovation and well-being of economy. Such economists as A. Marshall, John M. Keynes, P. Drucker, J. A. Schumpeter and many others laid out the foundations of the theory of entrepreneurship in their works. They served as a general base of knowledge for this thesis. Other literature sources, which directly pertain to the thesis' topic are described in the following section.

For instance, the work of J.A. Schumpeter "The Theory of Economic Development; an inquiry into Profits, Capital, Credit, and Business Cycle" has largely served as a base for laying out the foundation for understanding the nature of entrepreneurship. Schumpeter (2003) highlights the four important features of economic development in his theory: circular flow, role of entrepreneur, business cycle, and end of capitalism. As the focus of the thesis lies on SMEs and therefore on entrepreneurs as well, the role of entrepreneur is of particular interest. In his work Schumpeter presents entrepreneur as the key figure and force in the process of economic and societal development. Author also emphasizes the special position of an entrepreneur, which does not equal to that of an ordinary manager or a mere capitalist. Moreover, according to the author, entrepreneurial motivation comes from either the desire for private commercial well-being, or the will to prove one's superiority, or the joy of creating, exercising one's energy and ingenuity. Schumpeter also points out the necessary prerequisites for the performance of the entrepreneurial function. The first one is the availability of technical know-how, the second one is the availability of the capital resource, which largely depends on functions of banks or other financial institutions. The functions of financial institutions are emphasized, as the author claims that providing entrepreneur with credit allows for increased research and innovation. Inventions in one field then will inevitably induce innovations in the related fields, thus causing a positive chain reaction of economic development.

"Innovation and entrepreneurship: Practice and Principles" written by P. Drucker (2002), focuses on identifying systematic work principles of an entrepreneur. Drucker states, that growth of entrepreneurial sector can be mainly attributed to the adoption of said principles. The author also defines seven conditions that signal opportunities for

innovation, which include internal enterprise conditions, as well as external changes in the economy and society. Moreover, Drucker examines the effects of the size of a business on its ability to innovate, concluding that it is easier for bigger companies to spend time on such activities. Furthermore, management of new ventures is discussed, as well as requirements for their successful development. Those requirements include market focusing, financial foresight, and the need to build a top management team. Overall this source was useful in determining which areas are important for internal SME development, which, in turn, can give hints as to which state support should be made available in order for innovative SMEs to flourish.

Next source is a work titled "Entrepreneurship Development" (Gordon, Natarajan and Amishi 2009). Book offers interesting insights into the development and peculiarities of entrepreneurship in India. Although the geographical focus does not directly pertain to the one chosen for this thesis, book provides perspectives on factors influencing entrepreneurial growth. They go in-depth in discussing those factors, which they divide into 5 big clusters: economic factors, social factors, cultural, personality, and psychological factors. Moreover, the obstacles that entrepreneurs in less developed countries need to overcome in the process of running a business are named. Those include, for instance, customs and traditions which strongly restrict or influence the business, low status given to businessmen in the society, lack of adequate infrastructure, high risk involved in new ventures, prevailing imperfect conditions, which discourage prospective entrepreneurs, etc. This work has assisted the author in drawing out preliminary conclusions regarding factors playing a negative role in the development of Russian SME sector.

The above mentioned works have served as a basis for gaining initial understanding of the topic area. Nonetheless, it is important to take into consideration that Russian business sector has not developed in the same way as in the West. Cultural and historical reasons, such as peculiarities of Russian mentality and a long period of command economy, make it rather hard to apply the same entrepreneurship theories in the context of Russian market. Moreover, it is important to take into account the fundamental differences in legal framework and governmental regulations between Russia and other countries. Therefore, the development of the chosen topic would not be possible without understanding the existing legal framework, which determines the

definition of SMEs, regulations on taxation, conditions and amount of State support, etc. The sources upon which the author drew in the process of the research for this thesis include the Administrative, Penal, Civil Codes of Russian Federation, Federal Laws, as well as local regulations, decrees and regional governmental initiatives. These legal documents have served as an empirical basis for the thesis.

Moreover, the works of Russian economists were examined in order to create a wholesome picture of the business landscape. For instance, A. Busygin outlines the basic conceptual framework of entrepreneurship and describes the mechanism and sequence of business actions in his work "Predprinimatelstvo" [Entrepreneurship]. The special feature of the work is that author examines the western experiences and specifics of entrepreneurial activity in conditions of modern Russia, such as existing government regulations and Law peculiarities.

In turn A. Vilensky, the author of multiple articles regarding the subject of entrepreneurship in Russia, explores the change from command to market economy in the countries of former USSR. However, it is worth mentioning that the articles are somewhat outdated and possibly do not fully correspond to the current state of things. Next source used for the thesis is work by O. Petrosyan titled "Formirovaniye bagoprijatnoi predprinimatelskoi sredy regiona: monografija" [Formation of favourable business sphere of the region: monograph]. In the monograph, author examines the role and place of entrepreneurship in the economy of separate Russian regions. He also ranks the factors, both negative and positive, which affect the entrepreneurial sector. In addition, Petrosyan looks at development of SME sector from the point of view of economic safety, as well as evaluates different approaches to forming a positive entrepreneurial sphere. Overall, this source provides valuable insights into specifics of entrepreneurship in Russian regions. Yet it has a rather descriptive nature, and offers little to no suggestions on improving the status quo.

The same could be said true for various other literature sources, all of which describe peculiarities and specifics of entrepreneurship in Russian Federation in extensive detail, but unfortunately provide no guidance or suggestions on how to improve the SME sector. Moreover, due to historical development of the country, many of the issues that small and medium businesses typically face in the phases of their development, could

simply not be fully explored and examined in the context of Russian market yet. Moreover, some particular issues of development of entrepreneurship, such as sustainable development, corporate social responsibility, gender equality and diversity at workplace, are barely starting to be discussed in Russia, while in the West they have been in the centre of attention for some years already.

Therefore, it becomes clear, that there is a gap of knowledge when it comes to the subject of SME development particularly in Russia, as Western framework might not always be suitable for Russian realities, and the works of Russian authors do not fully address the chosen subject.

3 Methodology

The research methodology is a logical organization of actions designed to help in studying possible approaches to the study, selection of the most interesting and suitable methods of discovering of issues on the topic, and ultimately in obtaining reliable results. The data collection and analysis can be conducted in either a deductive or inductive manner (Saunders et al, 2016). Deductive approach involves making conclusions by moving from general to specific, through the creation of a theoretical and conceptual framework on the basis of information gathered from available sources. As for the inductive approach, it is characterized by movement from the specific to general. Conclusions and theories are based on information and data obtained through observation of the specific object (Gill, 2011). The inductive approach may be more difficult to apply than the deductive approach because it is conducted without a clear theoretical basis. In addition, the development of own theories and assumptions on the basis of the collected material requires a large amount of work, an investment of time resources. There are several criteria that allow the researcher to determine the choice of approach. The first one is the availability of time and resources. As mentioned above, the inductive approach requires more time investment than deductive. The second criterion is the presence of developed theories and literature on the topic. With variety of available literature on the topic, a deductive approach makes more sense, as in this case the researcher does not have to create logical connections and theoretical basis. Since the topic of development of small and medium enterprises is one of the most discussed topics in the economy, there is no shortage of suitable literature. Therefore, this paper will use the deductive approach.

Both primary and secondary data have served as basis for this research. Secondary data can be defined as data originally collected for other purposes (Patzner, 1995). Secondary data for this thesis consisted of scientific works, publications of Russian and foreign authors, books, articles, manuals and the legislation of the Russian Federation regarding business activities and measures for SME support. Thus, the data was collected and analysed in order to form the basis of the study, providing a theoretical framework of the studied concepts. Primary data was used to accomplish the objectives of the study and to answer the research questions. Primary research can be conducted in different ways: in the form of experiments, investigations, tests, interviews and surveys. Type of analysis subsequently applied to the received raw data can be either qualitative or quantitative. The qualitative method is characterized by aiming at a deeper understanding of the causes of the problems, it focuses not on statistics, but on reasons for actions, emotions, behaviour and emotions, perception of surrounding events. As for the quantitative method, it interprets the received data by using statistical analysis. Qualitative data is gathered by means of interview, discussions, observations. Quantitative data, in turn, concentrates on gathering numerical facts and data, pertaining to the theme of research (Gill, 2011). Methods of quantitative approach include for example, questionnaires and surveys. The data is analysed by creating graphs, comparative tables, diagrams and statistics. This approach allows the researcher to focus on relationships between variables and trends (Saunders et al, 2016). Briefly the difference between the two approaches can be explained as follows: quantitative approach describes while qualitative approach explains. For the purposes of this thesis, the author has chosen to use the qualitative research method. This is because the objectives of the study are not aimed at counting, measuring and comparing statistical data, but rather at gaining an understanding of the fundamental factors, opinions, motivations. To achieve this goal, expert interviews were chosen as a method of primary data collection.

According to Gerhard Keegan (n.d.) an interview is a "conversation with a purpose". The purpose of the interview is to complement and extend the knowledge and assumptions of the author about the topic of research, to provide opinions and expertise on the topic. Expert interviews were chosen due to the fact that they allow to concentrate attention on individuals, which have some experience in the field

concerning the research topic, and therefore have valuable information and opinions regarding the topic of work. In addition, the interview format allows for more flexibility during the research. Indeed, the tone of the interview can be adjusted according to the respondent, open communication is possible, and hence the opportunity to obtain information not available otherwise. The disadvantages of this type of information gathering include it being very time-consuming, including the search for suitable interview candidates, conducting the interviews and subsequent analysis of the results. That particularly applies to semi- and non- structured interviews. In addition, the author is forced to rely on the honesty and accuracy of provided answers, which cannot always be verified.

There are three possible interview structures: fully structured, with planned list of questions, which cannot be changed. The answers do not go beyond the established framework. Next type are unstructured interviews which are conducted without a strict list of questions, which allows the author to ask spontaneous questions. Semi-structured interviews, in turn, include some questions which are mandatory, and the rest of the communication is conducted in a spontaneous manner. For the purposes of this work, the author chose unstructured interviews, as they allow for more freedom in the flow of conversation and discussion.

As for the analysis of retrieved qualitative data different methods can be used, two of the most famous are "Grounded Theory", developed by Glaser and Strauss and "Mayring" method, named after its founder (Mayring, n.d.). As an approach, grounded theory sets the purpose of developing a theory, which should be based on gathered observations. The study begins with the formulation of a generic question, which determines the direction of research, but does not imply stability or strict adherence to it. This type of analysis is a time- and labour- intensive process that usually does not have a clearly defined completion date. The second type of analysis - "Mayring", aims at interpreting verbal material in different forms by sorting phrases into different code and category systems. Summarizing gathered information implies the reduction of interview material by identifying the main content of phrases. Explanation involves adding additional material to the statements in order to obtain a better understanding and interpretation of certain sections of the interview. Structuring, in turn, is the sampling of material, which may subsequently be applied in the system of categories

and codes. Since this study is to be conducted with the help of expert interviews, the content of which varies from respondent to respondent, the most appropriate form of analysis is the structuring based on categories. As a result, the long and differentiated statements can be systematized and sorted by implementing the code system.

4 Small and Medium Enterprises as subject of economic relations

This chapter will provide an in-depth analysis of the conceptual system, pertaining to the thesis' subject. Definitions of entrepreneurship will be explored and analysed. Historical development of entrepreneurship in Russia will be examined in order to gain deeper understanding of reasons for emergence of existing problems and shortcomings of SME development. Normative and legal framework of entrepreneurship will be presented. The business climate evaluation parameters will be presented, as well their values for the Russian market. Author's point of view regarding issues and problems will be articulated.

4.1 Definition and characteristics of entrepreneurship

The essential question that needs to be answered, when researching a topic of "State support of Small and Medium Enterprises in the Russian Federation..." is what constitutes entrepreneurship, and who can be defined as an entrepreneur.

Under article 2 of the Civil Code of Russian Federation, entrepreneur is defined as a person, conducting entrepreneurial activity, that is, involved in profit-oriented economic activity. Entrepreneurial activity, in turn, is defined as an independent, carried out at one's own risk action aimed at receiving regular profit from the use of property, sale of goods, work execution or rendering services in the manner prescribed by law. There are seven characteristics of entrepreneurial activity defined by the law, among which are:

1. Regularity – entrepreneurial activities should be carried out regularly over a certain period of time.
2. Independence – referring in this case to organizational autonomy, that is, possibility of independent decision-making in the process of conducting business operations, as well as to property independence – availability of separate property necessary for realisation of business operations.

3. Risky nature of activities – implies the probability that entrepreneurial activity may turn out to be unprofitable, resulting in possible losses.
4. Financial liability - this characteristic varies depending on enterprise's legal form of organisation. Existing forms of organization will be presented and discussed later on in the chapter.
5. Legal nature of business activity - implies compliance to existing Laws and Regulations. Conducting business activity without registration is not considered entrepreneurial and is an offence according to article 14.1 of the Code of administrative offences and article 171 of the Criminal code of the Russian Federation.
6. Profit generation directivity - this characteristic was put in place in order is intended to delineate the activities of foundations and non-profit organizations from entrepreneurial ones. In this case, it is important that the main focus of activity is profit generation. Thus, a business organization aimed at generating profit, but generating losses is also considered a business.
7. Professionalism – this characteristic is legislatively required only for certain industries that require a special form of licensing (e.g. banking)

However, purely legal perspective does not reflect the full meaning and value of entrepreneurship and entrepreneur in the context of society. Many scientists tried to provide a definition that would take into account all of the involved aspects. Jean-Baptiste Say coined the term entrepreneur by defining it as a person, who shifts economic resources out of an area of low productivity and into the area of higher productivity and greater yield. In turn Richard Cantillon, Irish economist of French descent defined entrepreneurship in XVIII century as the process of bearing the risk of buying at certain prices and selling at uncertain prices. According to his theory, an entrepreneur is a specialist in taking on risks, and satisfying their needs in conditions of high uncertainty. As for Adam Smith, he defined an entrepreneur as the owner of the capital, who acts as agent in transforming demand into supply (1906). Another well-known definition of was given by Karl Marx (and later elaborated by A.C. Taymans), which describes entrepreneur as a profit-making and power-seeking capitalist, whose efforts are concentrated on extracting added value (Taymans, 1951). Max Weber considered entrepreneur as an embodiment of a rational thinker, who strives to gain profit in the most effective way; as the directing mind and moving spirit of the

enterprise in modern capitalism (Swedberg and Agevall, 2016). According to J.A. Schumpeter, entrepreneurship is the engine of economic growth, progress and innovation, and entrepreneur is an individual who exploits market opportunity through technical and organizational innovation. The function of entrepreneur consists of delivering innovations which society needs (Schumpeter, 2003). One of the frequently mentioned factors in the reviewed studies relating to the topic of entrepreneurship is the risk factor. F.H. Knight considers risk to be an essential part of conducting business, and the business owner to be a true entrepreneur only when he is willing to take risks in order to achieve the desired goal (Knight, 1921). John M. Keynes also emphasizes the ability to take risk, alongside ability to overcome difficulties and ability to relate demand and supply as crucial components of successful entrepreneurial activity (Hébert and Link, 2009). Another view on entrepreneurship was expressed by F. Hayek, who claimed entrepreneurship to be a behavioural trait rather than a mere activity. In his works he emphasizes that entrepreneurship is a freedom: personal, financial, freedom of time, knowledge and asset disposal. I. Kirzner argues that an entrepreneur is an individual who merely performs a discovery function: the one who discovers new resource uses, new products, and new possibilities (Dellape, 2012). McConnell, Flynn and Brue (2009) consider the entrepreneur as a person who shows personal initiative, takes responsibility for decisions, seeks impermanence and continuous growth. Peter Drucker (2002) in his works expresses the point of view according to which entrepreneurship is an activity based upon innovation in all fields, particularly in management. According to Drucker entrepreneur is an individual who searches for change, responds to it, and exploits it as an opportunity.

As can be seen, many researches and economists have expressed their views about what constitutes entrepreneur and entrepreneurship. By summarizing and generalising the above mentioned opinions, entrepreneurship can be defined as an intellectual profit-oriented human activity and entrepreneur as an individual who assumes the risk of doing business, makes innovative changes in the structure of society and uses available to him resources with maximum benefit.

4.2 History of entrepreneurship development in Russian Federation

Entrepreneurship as an activity originated many centuries ago, around the time of first barter transactions between people. Roman Law contains references to entrepreneurship, which it defines as a commercial activity, and to entrepreneur, which

it defines as an individual conducting said activity. Moreover, businesses and enterprises already existed in the Ancient Roman times (Hudson, n.d.).

In respect to the development of entrepreneurial institute in Russia, one could argue that it was advancing in its own special way, with many obstacles and constraints. In her textbook "Istoriya predprinimatelstva v Rossii: uchebnoe posobie. [History of entrepreneurship development in Russia: textbook]" Alla Timofeeva (2011) notes a few crucial historical events, that have shaped the way entrepreneurship in Russia advanced. First of all, the nearly 700-year existence of serfdom served as an extreme obstacle for the development of entrepreneurship. The vast majority of population was in slavery and had neither the opportunities, nor the motivation to show initiative, let alone start their own business. Centuries-long duration of serfdom also affected Russian society, splitting it in two: the "slaves" and the "masters", which contributed to establishment and deepening of a particular "us vs. them", helpless victim mentality specific to Russia. After serfdom was abolished in 1861, Russia has seen a brief economic upswing: the reorganization of heavy industry, increase in attraction of foreign capital, active development of railway system, industrial output increased 10 times in the period from 1861 to 1913, the sphere of trade and catering has become one of the most developed in the world. However, the next decisive historical factor – the October Revolution of 1917 has led to an end of Russian Empire and to creation of the new state – USSR, thus completely changing the course of entrepreneurship development. With the nationalisation of all enterprises, establishment of state monopoly and command economy private ownership as well as entrepreneurship were altogether eliminated for many years. Command economy undermined the overall economic development: with no competition to rival against, companies did not have to fight for market shares, consumer loyalty, differentiate themselves, improve quality of the products or innovate. Historic "5-year Plan" reports of the time show impressive developments in production efficiency, quality and output. However, it has been revealed that many of those reports were falsified in order to support the "Socialist Dream", and in reality economy was doing much worse.

The new economic system, however, was not the only limiting effect, that came about after the Socialist Revolution. The ideology that government imposed on the population infiltrated all areas of social life, including education. The focus was strongly shifted

towards natural sciences: it was considered prestigious to be an engineer, chemist, physicist; while development of social and human sciences was not a priority. Although the advancement in the field of natural sciences undoubtedly plays an important role in economic development of the country, one cannot underestimate the significance of social and human sciences, which provide inseparable ethical, social and cultural context. Subjects such as marketing, human resources management, business development, international management, investment financing and many more were not taught in Universities. While Western countries were collecting extensive experience-base, accumulating valuable theoretical and empirical knowledge, advancing in schools of management thought, marketing, advertising, entrepreneurship, development of these areas in Soviet Union regressed. What is more, people with entrepreneurial spirit were looked down upon, as they did not comply with the ideology of the time.

At long last, command economy combined with extreme propaganda of communist ideology led to severe economic problems which could no longer be ignored. The easing of the regime and series of changes in the political and economic system undertaken by the government in the 1980s, widely known as "Perestroika", were designed to combat the economic stagnation and inadequate standard of living of Soviet Union citizens.

In practice, small business was allowed again only in 1988: all state enterprises with yearly employee average under 100 people were classified as "small business". Over the course of next years a few other laws aimed at facilitating business sector development were introduced, as, for example the Law "On enterprises in the USSR", which expanded the autonomy of enterprises. As well as decree of Ministerial Council of USSR №790 dated August 8, 1990 "On measures on creation and development of small enterprises", decree of Ministerial Council of RSFSR (Russian Soviet Federative Socialist Republic) dated July 18, 1991 "On measures on support and development of small enterprises". These decrees allowed to re-register cooperatives to small enterprises, simplified the process of business registration, expanded export opportunities, introduced state support for financing and technical supply. Federal Programme for Support of small enterprises was created for the period from 1996 to 1997. All of the above mentioned measures were taken in attempt to lay a strong

foundation for the future development of small business sector and entrepreneurship. Nevertheless, without proper knowledge or real experience of running a business in a free-market economy and without existing ethical culture of business entrepreneurs had to largely rely in their intuition in conducting their business. These factors, combined with the unsettled political and social situation prevailing in Russia in the 1990's led to criminalization of business sector. Public opinion about businessmen and businesses in general was mistrustful as it was, due to constant communism ideology propaganda. Criminalization of the sector and its increasing corruption have only worsened already existing negative attitude.

It is therefore obvious, that mere introduction of laws and decrees was, and remains, insufficient for creation of a favourable business environment. Education, alongside business culture and ethics play a crucial role. Still to this day public opinion about entrepreneurship is rather negative: many people do not believe in the possibility of successful entrepreneurship without having connections to powerful people, or without necessity to give bribes. Moreover, as V. S. Kostinskiy (2011) mentions, economic science in Russia did not recognize the importance and value of entrepreneurship for society up to a relatively recent point.

Nonetheless, without initiatives and support from the State, the development of entrepreneurship in Russia could have gone at an even slower rate. After all, State plays a leading role in providing a foundation for conducting a business: for instance, legal framework, subsidies, stimulation of sector activity, etc. Therefore, it is important to involve all levels of government: municipal and regional alongside federal. Especially for such a territorially vast and culturally diverse country as Russia, specific and peculiarities of each region cannot be adequately considered on federal level. Local government and authorities, on the other side, are familiar with the specifics of the region, and are therefore able to provide for the needs of the population with greater accuracy and efficiency. According to the political structure of Russian Federation its Subjects have the power to enact local legal acts, decrees and by-legal acts concerning SMEs, as well as develop regionally targeted programmes and create regional network and infrastructure for SME development. Existing regional Laws and Acts of Tatarstan Republic will be examined thoroughly below.

4.3 Normative and legal framework of entrepreneurship in Russian Federation

Understanding the existing legal framework of entrepreneurship is a prerequisite for a valid analysis of the thesis topic. This sub-chapter, therefore, will take a closer look at such issues as legal forms of business organization existing in Russia, classification of enterprises, and so on.

Legal forms of business organization determine such important factors as the owner's legal liability, income tax, and other regulations. Under the Civil Code of Russian Federation legal form of business organization is possible with registering a legal entity, as without registering a legal entity. Forms of organization which require registering of a legal entity are separated into commercial or non-profit organizations. Those organizations are distinguished from each other in views concerning the fundamental purpose of existence of the enterprise. Non-profit organizations, include consumer cooperatives, public and religious organizations, non-profit partnerships, foundations, autonomous non-profit organizations, associations and unions. However, as the topic of interest of this thesis lies in the development of Small and Medium Enterprises – commercial entities, specific features of non-profit enterprises will not be directly examined in the next paragraphs. As for the main characteristics of the remaining forms of organizations, they will be discussed in the following section.

Individual entrepreneur (IE) is a legal form of business organization which does not entail registration of a legal entity. It is a natural person, who runs business on own behalf, makes independent economic decisions and bares full personal liability for the results of business activities. In practice it means that in case of debt, the entrepreneur may be obliged to pay out of their personal funds if corporate funds are insufficient. Moreover, in case of death of the owner all rights and obligations, including obligations under the debt, are transferred to the heirs. In regards to taxation, Individual Entrepreneur's income is taxed as a natural person's income. As for the discontinuation of business activities, it can occur either by decision of the entrepreneur or by the court's ruling, for instance if the violation of Law was revealed, or entrepreneur has been declared bankrupt.

The second form of organization that does not require registration of legal entity is a partnership. A partnership is created if two or more individual entrepreneurs decide to

start a firm together. As in the case with IE, each partner bears full personal and proportional (depending on the amount of the contribution) liability for the results of firm's activities.

As for the commercial organizations, which require a registration of business entity, they include business partnerships and associations, production cooperatives, State and Municipal unitary enterprises. Special characteristics of each of the mentioned forms will be examined in the following section.

A general partnership is a partnership whose members jointly conduct business activity on behalf of the company. All members of the partnership bear joint full subsidiary liability for its obligations. The allocation of profits for the members is determined in most cases by the amount of made deposit. This form of organization does not require a charter and is created on the foundation agreement basis. It is also worth noting that the participation of more than one full partnership is prohibited. The second type of partnership is limited partnership. Special feature of this form of organization is that there can be "limited" partners, as well as "full" ones. The former's financial liability will be limited to the amount of their contribution to the organization. Limited partners have no right to participate in organizational matters of the enterprise and no voting right; they are only entitled to receiving a percentage of revenue proportional to their investment in the firm. In other aspects this type of partnership is identical to a general partnership.

The next type of business organization – associations, or companies. Limited liability company (LLC) is an association based on share capital. Liability of members of LLC is limited to the amount they invested into the company. Share capital is the distinctive feature of the LLC, it acts as a guarantor of the creditors' interests, as its minimum amount is determined by the law and varies according to the industry, that company operates in. For instance, minimum share capital for a bank accounts to 300 million rubles, while for most companies operating in other industries it should pass a modest mark of 10 thousand rubles. Moreover, if the value of the assets of the company falls below the prescribed minimum, the company is subject to liquidation. Another legal requirement for LLC is existence of a charter. As for the number of members of LLC it is limited by the Law and cannot exceed 50. If number of LLC members exceeds the

prescribed limit, the association must be converted into another legal form of organization within one year. As for the Additional Liability Company (ALC), it differs from the LLC in only one aspect – liability. Members of the ALC bear full financial liability for the activities of the firm.

Another type of legal form of organization are joint-stock companies (JSC). Share capital of this type of companies is divided into a number of shares, and its members bear risk of losses within the value of their shares. There are two types of JSC under Russian legal system: public (PJSC) and non-public (JSC). The difference between the two lies in the possibilities of shares re-allocation. PJSC allows for reselling of shares to a wide audience without a necessity of gaining consent of other shareholders. Regulations of JSC, on the other hand, do not allow for public trade of shares; the shares are distributed only within a certain group. Share capital, as in the case with LLC, guarantees and secures the rights of creditors, and is equal to the nominal sum of all outstanding shares. Minimal requirements for share capital differ according to the type of JSC: for public it should be not less than 100 thousand rubles, for non-public, 10 thousand. A non-public JSC specific feature is a requirement to have a management board if the number of members exceeds 50. Management Board has controlling and managing functions.

Next legal form of organization is a production cooperative, defined by the Civil Code of Russian Federation as a voluntary union of citizens based on membership and aimed at conducting joint economic activity, based on personal participation and joining of pie funds. Members of the cooperative bear subsidiary liability. Every member has an equal share of voice regardless of the size of their pie. The last organization form - state and municipal unitary enterprises, are also not described in detail, as the area of their activity lies outside of the scope of the thesis topic.

Figure 1 below gives an overview of all existing legal forms of organization.

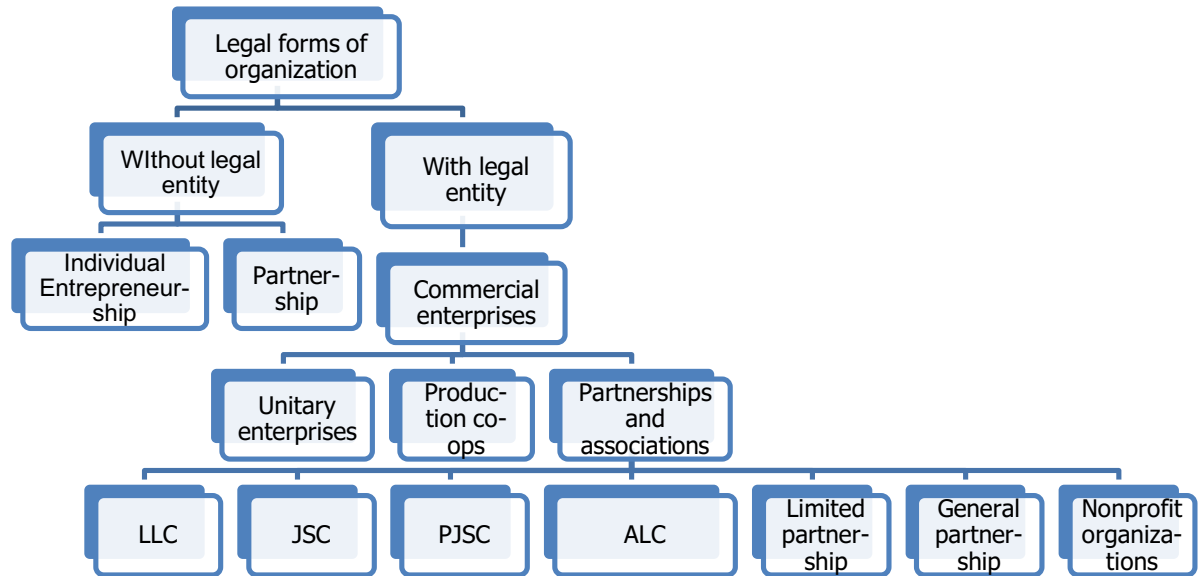


Figure 1 – Overview of existing legal forms of organization

It is worth mentioning, that according to Portal of State and Municipal Services of Republic of Tatarstan, the most popular legal forms of organization are LLC, PJSC and IE.

The next issue that logically arises from the thesis topic and that should be discussed is classification of firms as SMEs. Federal Law №209-FL dated 24.07.2007 "On development of small and medium enterprises in Russian Federation" lays down the foundation for SME classification. FL №-209 changed the classification of enterprises as "small", the terms of "medium" and "micro" enterprises were introduced for the first time. According to the law, both companies that are registered as a legal entity, and the ones that are not, as well as farm enterprises can be considered an SME. It is worth mentioning, that an enterprise, regardless of its form of organization, should be included in the Joint State Register of Legal Entities or in the Joint State Register of Individual Entrepreneurs respectively. There are four criteria by which companies can be classified as medium, small and micro.

The first criterion is the total share of participation of the Russian Federation, subjects of the Russian Federation, municipal formations, foreign legal entities, foreign citizens, public and religious organizations (associations) and funds in the share capital or mutual capital (depending on the enterprise), which shall not exceed 25% for all types of businesses. The second criterion is the share of capital invested by one or several

legal entities which are not SMEs, and also shall not exceed the mark of 25%. The first two criteria are designed primarily to eliminate the possibility of classification of subsidiary companies' belonging to larger enterprises as SMEs and thus not allowing them to reap the State benefits aimed at helping the sector grow. The third classification criterion is the average number of employees during the preceding calendar year. In this case, the entity would be considered "micro" if the number of employees did not exceed 15; "small" if the number of employees reached 100 people. If the working force of enterprise amounted to 101-250 people, the company is considered "medium". The fourth, and final, criterion of classification is the company's turnover amount excluding value added tax for the preceding calendar year. This criterion came about with the introduction of this federal law, the previous law № 88-FL dated 14.06.1995 did not contain it. Since the introduction of this Federal Law the Government reviewed this criterion and updated it with introduction of Decree № 265 "On the limits of proceeds from sale of goods (work, services) for each category of subjects of small and medium business". Decree increased the allowed limits for each category and set them at 120 million RUB, 800 million RUB, 2 billion RUB for micro, small and medium enterprises respectively. Converted to euro currency, these sums amount to approximately to 1,9 million EUR; 13,2 million EUR and 33 million EUR correspondingly.

A visual overview of the existing criteria for enterprise classification are presented in Table 1 below.

Table 1 - Overview of enterprise classification criteria

Criteria	Medium	Small	Micro
Total share of participation of the Russian Federation, subjects of the Russian Federation, municipal formations, foreign legal entities, foreign citizens, public and religious organizations (associations) and funds in the share capital or mutual capital	Shall not exceed 25%		
Share of capital invested by one or several legal entities which are not SMEs			
Average number of employees during the preceding calendar year	101-205 employees	Up to 100 employees	Up to 15 employees
Turnover amount excluding value added tax for the preceding calendar year	2 billion RUB	800 million RUB	120 million RUB

The law also rules that in case differences between the two last criteria, the bigger one is selected in classification process. For instance, if the enterprise made a 2 billion turnover during the previous calendar year with 10 employees, it will be classified as a medium enterprise. The classification of the enterprise can be changed if the values of the last two criteria falls below or above the specified limits for two consecutive calendar years.

The business type can be changed only if the values of the last two criteria below or exceed limit values of categories for consecutive two calendar years.

4.4 Business climate evaluation parameters

As the aim of this Thesis is to critically analyse the development of SMEs in Russian Federation, it is necessary to first develop a benchmark or a measuring scale against which to measure the results of completed research.

Zaitsev (2009) highlights the following conditions that are crucial for creation of beneficial business climate:

1. Stability of government regulations and policies, especially in relation to the business sector
2. Public attitude towards entrepreneurship in general
3. Comprehensible process of registration of enterprises
4. Favourable taxation legislation
5. Developed system of state support of entrepreneurship
6. Effective system of intellectual property protection
7. Understanding and acceptance of business ethics

Some parameters from this list the government can affect directly (e.g. tax regime), others only indirectly. The detailed analysis of the parameters will be presented in the following sub-section.

4.4.1 Stability of government regulations and policies

When it comes to governmental policies regarding entrepreneurship, one can say that they remained relatively stable over the past 20 years. Since entrepreneurship became a legal economic activity again various laws, decrees and regulations have been passed

in order to establish business structures and to increase entrepreneurial activity in the country. Nevertheless, while domestic policies remained consistent, foreign policies brought about a series of unexpected events.

Recent political events, which led to mutual sanctions between Russia and Europe negatively impacted many businesses, which were heavily relying on imported products. For instance, according to the forecasts of a Representative of the Department of Trade and Services in Moscow, A. Nameryuk, it was expected that 10-15% of restaurants and cafes would close in Moscow during 2014. In 2015, according to RBC, Russian media group which concentrates on economic news, the disappointing forecast came true, and the number of restaurants dropped significantly for the first time in several years. Moreover, it was observed, that the speciality of the kitchen did not play any role: sushi bars, pizzerias, as well as Russian cuisine restaurants suffered the effects of the sanctions. However, the effects were not limited only to gastronomy. Destabilization of the ruble and significant appreciation of the dollar and the euro hit all business that based their activities on imported goods (i.e. cosmetics, home electronics, textiles, etc.). Businesses were forced to raise their prices, thereby reducing the purchasing power of consumers. In addition, even industries not directly associated with imports have been affected: reduced consumer purchasing power, and the fact that consumers had to spend more money on some products meant that they had less free income to spend. Naturally, weak ruble can also have beneficial effects as goods exported from Russia become more competitive in foreign markets. Nevertheless, maintaining weak currency is not the policy that would bring positive changes in the long run. Moreover, export of goods is not a big part of Russian economy, which is highly dependent on raw materials in this sense. The import substitution program was designed and enacted by the government to mitigate the negative effects of sanctions was enacted by the government. However, time and effort are required in order to see the effects of the programme. Principal scientist of Russian Academy of Sciences Institute of Economics Vladimir Filatov commented on the matter by stating that the only industry where country could see light improvements due to the programme was the agricultural sector. As for the heavy industry, much time is needed before positive effects come about, since the sector must be almost completely restructured (BBC Russia, 2015).

The combination of steadily falling oil prices (one of the main raw materials being exported from Russia), the negative impact of sanctions and uncertainty of the population in the next steps of the government resulted in an overall negative crisis situation. According to the estimates of E. Gurvich and I. Prilepskii, members of the Economic expert group, the combination of two shocks, sanctions and falling oil prices, will cost the Russian economy about 0.6 trillion dollars in 2014-2017, and economic growth will decline by a shocking 8.4 percent. Naturally, in such conditions conducting business appears to be unpromising. Moreover, foreign investors see recent political developments serve as a red signal and caution rather than encouragement to invest in Russian business, which, of course, narrows the possibilities of funding (and as a consequence development) of SMEs (Kuvshinova, 2016).

Taking into consideration all of the facts mentioned above one could conclude, that the overall political situation is not very stable at the moment and thus not favourable for SME sector.

4.4.2 Public attitude towards entrepreneurship in general

When examining the second parameter of favourable business climate, one has to keep in mind the historical development of Russia, mainly that for almost whole country's existence it was influenced by extremely uneven distribution of income and power among the society groups. Serfdom stifled any possibility of enterprise and initiative on the part of enslaved population, while those in power enriched themselves at their expense. It is logical to assume that the serfs who made up a large part of the population have seen the entrepreneurs - free people, merchants as the oppressors, and treated them without trust. The period between the abolition of serfdom (1861) and the Revolution of 1917 was not long enough for structural and mental changes to settle in. After the nationalization of enterprises and command economy, the enterprises did not receive due development for years to come. In addition, restless, criminal 1990s, characterized by frauds, speculation, deficits of goods, financial pyramids and strong inflation only worsened public opinion about entrepreneurship.

The current attitude of Russian citizens towards business has evolved and changed through the years. However, it would be utterly unrealistic to expect a fully restructured mentality to happen even in tens of years, while oppression, prohibitions and ideology has been there for centuries.

A study conducted by the Russian Academy of Science Institute of sociology in 2013 shows that Russian citizens still do not perceive entrepreneurship completely positively. Only 40.8% of the population perceives entrepreneurs as "clearly positive", another 40% considers entrepreneurship to be "neutral", with the remaining 20% split between "negative" and "mixed" attitude. Interestingly, the split of the survey into age groups shows the change in the results. The age group under 20 shows substantially more trust to the entrepreneurs, with 60% perceiving them as "clearly positive". In contrast, only 25% of respondents in the age group over 60 believe the same. In turn, the indices of agreement with the statements that "entrepreneurs think only about money" and "entrepreneurs exploit others" showed high results. Respondents were also asked to name and rank the factors, needed for successful entrepreneurial activity. The leading factors in descending order were hard work, good education and luck. The choice of this criterion may signal that from public point of view, entrepreneurship is a risky activity, and even if all the surrounding factors are positive the success is not guaranteed.

As for the interest in conducting their own business of the young population 8,2% of the surveyed citizens aged 18 to 21 years are planning to open their own business; in the age category from 22 to 24 years the figure increases to 11.5%; in the category of 25-30 years it amounts to 7.1%. That means that in the age group 18-30 years only 32,5% of the population is interested in opening a business. The vast majority of 67,5% show no interest.

According to the same survey, 8% of the Russian citizens have already tried to start their own business, but only 3.7% of respondents still continue to conduct it, while 4.3% have closed it, and the remaining 0.7% sold the business. According to this statistic, one out of two private businesses in Russia closes down its operations. As for the geographical characteristic of entrepreneurial activity, the survey showed that willingness to open one's own business is bigger in smaller towns, than in the large ones. Such distribution could be in part explained by the availability of wider selection of jobs in the large cities, as well as by higher competition in bigger towns.

As for reasons why respondents would like to start their own business, 14.2% indicated "desire to realize their ideas and entrepreneurial potential"; 9,6% stated availability of funds they could invest in the company. Other stated reasons included receiving financial support from the state, loss of employment and dissatisfaction with wages or working conditions. In regards to the industry respondents would like to open a business in, services and trade were leading. Less interest was shown towards agriculture and industrial production. Innovative industries were barely mentioned.

In addition, those respondents who had or still have own business were asked about the reasons for the slow development and the reasons for closing of their business. The most named reasons included high taxes (60,8%), lack of sufficient initial capital (56,9%), high administrative barriers (43,7%), corruption, fear of losing their investment (39,3%), insufficient support from the state (34,9%), criminalization of business (31%), and fear of problems with law enforcement (20,1%). Respondent also named the factors that could increase the attractiveness of entrepreneurship for the population. Reduction of the tax burden (66,4%) was leading, followed by reducing corruption (43,4%), availability of financial resources (39,1%) and improving administrative climate (26,3%). Interestingly, among the respondents who cited decrease of corruption as an important factor, most had their own business that they were forced to close or sell.

Moreover, 44.6% of citizens believe that the cause of high lending rates in Russia is the greed of the bankers, 38.4 per cent believe it is caused by the imperfection of the legislative regulation of bankers, and only 34.4% believe it comes from the high annual inflation, 21.5% name the monopoly of banks and lack of competition as a cause. This apparent distrust to banking institutions may explain why only 33% of respondents tried to finance their business through a bank loan, while 35.1% have used the services of other creditors (including criminal), 27.8% sought help from relatives, and only 4% of micro- credit organisations (Lobanovskaya).

Summarizing the above, one can conclude that the overall attitude of Russian population towards entrepreneurship is not exceptionally positive. Despite the positive changes that can be observed in the younger part of the population, the majority still does not consider entrepreneurship as an attractive occupation, and entrepreneurs to

be honest people. Moreover, concerns about corruption, criminal pressure, political instability, imperfect legislation concerning the regulation of SMEs warn people from opening their own business. Overall, this parameter is also considered to be unfavourable.

4.4.3 Comprehensible process of registration of enterprises

The process of state registration of enterprise is undoubtedly one of the important factors that determine how attractive starting one's own business is. All information needed to register any type of enterprise in Russia is available in free access on the Internet page of the Federal Tax Service of Russia.

The process of registration of legal entities is carried out at the location of the permanent executive body of the company (its director, CEO, Manager, etc.). In the absence of such a body registration is carried out at a location of other body or person entitled to act on behalf of the legal entity. Registration procedure is regulated by the Federal Law dated 08.08.2001 №129-FL "On state registration of legal entities and entrepreneurs". The registration process consists of 4 stages: collection of documents, assignment of the tax authority to which legal entity should apply; submitting the documents (in person or remotely), and receiving the registration documents. The list of required documents include signed statement on the state registration; decisions on establishment of legal entity in the form of protocol, contract or other document in accordance with the legislation of the Russian Federation; constituent documents of legal entity; extracts from the register of foreign legal entity register in case it is founded by foreign founders; document confirming payment of state duties, which amounts to 4 thousand rubles (roughly 66 euro). The second step, choice of assigned tax authority is regulated by the same law. The state registration of the LE is carried out by registration authorities at the location of the permanent Executive body of the LE. Registration address can be either the address of the office of the firm (included rented premises), or the home address of the head of the firm. What makes the registration process significantly easier is the availability of online search of the nearest suitable tax office on the Federal Tax Authority's website. The next step is providing the documents, which can be done either personally (or through a notarized representative) or remotely. Remotely application is possible either through post, or through an online service. Upon receiving the documents, the tax authority shall issue a certificate of receipt, and if all documents are in proper order and meet the law

standards, legal entity must be registered no later than three days after the receipt of application. In this case, legal entity will receive a certificate of registration, a copy of the charter with the mark of the registering tax authority and the record sheet from the Joint State Register of Legal Entities (JSRLE).

As for the individual entrepreneurship, the legal framework governing this process is the same as for legal entities (namely, the law №129-FL). The order and number of steps is also the same. The difference is in the required set of documents and in few other details. For registration, entrepreneur must provide the following documents: the statement on state registration of physical person as an IE; copy of national passport (notarized, if the applicant does not provide the documents in person) and receipt of payment of state duty, which amounts to 800 rubles (roughly 13 euro). If the documents comply with the established regulations, registration should follow no later than three days after submitting the application. Individual Entrepreneur also receives a certificate of registration and the record sheet of the Joint State Register of Individual Entrepreneur (JSRIE).

Summarizing the above, one can note that registration process is easy to complete regardless of the form of organization. All necessary information is clearly explained and is freely available on the website of the Federal Tax Service. Moreover, the digitalisation of the entire process makes it even easier: downloading all necessary forms, finding the appropriate registration authority, paying the state duty and even transfer documents online. This is a significant step in simplifying and accelerating the entire process. Moreover, short registration processing times, namely 3 days, make the whole procedure easier. Therefore, this parameter can be assessed as very favourable for SME development in Russia, as it is evident that the state has implemented many initiatives to simplify the process.

4.4.4 Favourable taxation legislation

It is hard to overestimate the importance of a clear, fair tax regime for the development of entrepreneurship. Developed countries have long used tax easing and incentives as a stimulus for enterprise development. For example, France and Germany simplify the process of tax reporting for SMEs, and provide "tax credits" for small businesses. As for the Russian Federation, the legal basis of taxation system is defined by the current Tax code. Under the code, legal entities are required to pay the

following taxes: corporate income tax, value added tax (if operations that are subject to VAT are conducted), personal income tax for the employees, property tax (if business possesses movable and immovable property), transport tax (if any motor vehicles are registered in the name of the firm) and land tax (if the company owns any land). The overview of each type of tax will be given below.

Corporate income tax is a direct tax, the object of which is the firm's revenue and amount of which depends directly on the financial results of the organization. The tax rate is 20%, 2% of which will be credited to the Federal budget, and the remaining 18% to the budget of a subject of the Russian Federation in which the firm operates.

VAT, in turn, is an indirect tax, borne ultimately by the final consumer. The objects of taxation are operations on realization of goods, property rights, including donations, import into the territory of Russia, the execution of construction works for own use, transfer of goods for own needs and expenses which are not subject for deduction when calculating the corporate income tax. Currently, there are 3 VAT rates: 0% applies for the export of goods placed under the procedure of free customs zone, and to services of international transportation. Ten percent rate applies to the sale of food products, goods for children, printed periodicals, books and medical supplies. The highest 18 % rate is applied in the rest of the cases. There is also a programme of VAT refunds: if the part of input tax (e.g. VAT on goods purchased from the vendor) exceeds the amount of the calculated VAT, it may be refunded to the organization.

In regards to personal income tax, it is paid by directly deducting the necessary amount from employees' salaries.

The amount of property tax for organizations is set directly by the subjects of the Russian Federation within the limits specified in the Tax Code. Moreover, the subjects can also decide on the terms and procedure of payment and specifics of defining the tax base. In Tatarstan property tax is calculated on the basis of the cadastral value of the property, interest rates are structured as follows: in 2015 it amounted to 1,2%, in 2016 to 1,5%, in 2017 1,8%, and in 2018 it will reach 2%. There are no benefits for this type of taxation.

The transport tax is also regulated by the subjects of the Russian Federation which have the right to differentiate the tax rates based on such parameters as engine power, gross tonnage, category of vehicle, year of manufacturing, etc.

Land tax, in turn, is set by the representative bodies of municipalities, but may not exceed 0,3% for agricultural land, land occupied by housing, land purchased for personal farming and gardening, land provided for army, security and customs needs. In all other cases, the tax may not exceed 1,5%.

In addition to the taxes discussed above, there are special tax systems designed to ease the tax burden for legal entities. Such systems are particularly interesting because their creation is intended to promote enterprise development. These include the simplified tax system (STS), unified agricultural tax (UAT) and unified tax on imputed income (UTII).

The STS focuses primarily on SMEs, which may choose either the standard taxation system or the simplified one. In order to qualify for STS, enterprises must meet the following conditions: the number of employees should not exceed 100 people, the income must not exceed 60 million rubles, and the residual value 100 million. In addition, share of participation of other organizations shall not exceed 25%. The application of STS is also impossible for organizations that have branches and representative offices. Moreover, switching to STS is only possible if organization's revenue has not exceeded 45 million rubles in the first 9 month of the year, during which the organization submits the application. If the organization meets all of the conditions, STS exempts it from payment of three taxes: corporate income tax, tax on property of organizations (except real estate) and VAT. The transition to the STS is voluntary. The object of taxation varies and can be chosen by the organization itself. If corporate income is chosen as the object of taxation, the rate will amount to 6%. If the organization chooses "income minus expenses" as the object of taxation, rate will comprise 15%. It is worth mentioning that in this case, the regional authorities may differentiate the rate from 5% to 15%. Differentiation of the tax rate in this case can be applied for selected categories, as well as to all taxpayers.

The second special tax regime for legal entities unified agricultural tax (UAT). As the name suggests, this tax is specifically aimed at enterprises engaged in agricultural production. It is worth mentioning, that companies working with agricultural production processing, but not directly involved in agricultural production, cannot implement this system of taxation. UAT exempts organizations from paying the following taxes: corporate income tax, property tax and VAT. Similarly, as with STS, the transition to this system is voluntary, and is possible from the beginning of the following calendar year. In order to qualify for UAT organization must receive more than 70% of their income from agricultural activities. Tax object under this system is "income minus expenses" at a tax rate of 6%.

The third and final system of simplified taxation is the unified tax on imputed income (UTII). Special feature of this tax system is that the amount of actual income received by the company is irrelevant. The object of taxation is imputed income (potential gross income minus the costs), which is defined by the Tax Code of the Russian Federation. UTII cannot be applied to all industries and types of businesses. The scope of the tax system includes such industries as retail trade, public catering, household and veterinary services, maintenance of transport, distribution and advertising, transport services, services for temporary accommodation. As one can see, the list is not too extensive, and includes a limited number of fields of business activities. Similarly, to two other simplified taxation systems unified tax on imputed income replaces corporate income tax, VAT and property tax. In order for a legal entity to be able to switch to this system the following criteria must be met: share of other entities shall not exceed 25%, number of employees shall not exceed 100, UTII should be introduced on the territory of the municipality where organization is registered, local normative act shall refer to the industry or activity conducted by the firm. Moreover, activities of the legal entity should be carried out outside of the framework of partnership or trust agreement, as well as outside educational, health or social security sectors. Transition to UTII is possible from the beginning of the new calendar year.

As for the taxation regime for individual entrepreneurs, it has many similarities with the one applied to legal entities. IE must pay personal income tax, VAT and personal income tax for the employees of the firm. Therefore, the difference in taxation regimes for businesses formed with a legal entity and those formed without one is that the

former pays the corporate income tax (20%), while the latter pays personal income tax (13%). In addition, as an individual entrepreneur is obliged to pay the transport, property, land and water taxes. There are also special taxation systems in place for IE, introduced to ease the tax burden. Individual entrepreneurs may switch to simplified taxation system (STS) as well. The requirements and transition process are the same as for the legal entities. STS substitutes three types of taxes: personal income tax from entrepreneurial activity, property tax (for property used for business purposes) and VAT. The similarities of the simplified taxation are also true for the UAT and UTII. However, individual entrepreneurs have possibility to implement another tax system, which is not applicable to legal entities, namely, the patent system. Transitioning to patent tax system is possible for those entrepreneurs, whose average number of employees did not exceed 15 people for the preceding tax period, and whose field of activity is included in the patent taxation. The full list of activities is subject to regional regulations of each subject of Russian Federation. Some examples of activities that fall under this tax system include travel, ritual, security, furniture repair, hairdresser's and cosmetic and private detective services. In order to use the patent system the entrepreneur has to register a patent for the activity. The patent is valid for only one type of activity, so if entrepreneur has multiple lines of business, which fall under the patent system, separate patents will need to be registered for all of them. Patent is registered within 5 working days and can be valid from one to twelve months within one calendar year. This system substitutes the same taxes as the previous systems: personal income tax, property tax and VAT. The tax rate under the patent system is 6%, though it is possible to further reduce it to 0% for up to two years. Such "tax holidays" are applicable for newly registered entrepreneurs working in social, academic or industrial sectors until 2020. The introduction of simplified taxation systems is undoubtedly a breakthrough for the Russian tax system and serves as a great motivation for entrepreneurs.

Such a step is undoubtedly a breakthrough for the tax system and serves as a great motivation for businessmen. Moreover, tax incentives for investors were introduced in Russia as well. Federal Law №39-FL dated 25.02.1999 "On investment activities in the Russian Federation implemented in the form of capital investments" allows for creation of special economic zones (SEZ), both at federal and regional levels. The size and type of incentives depend on the type of economic area, and on its geographical location

since the subjects of the Russian Federation have the right to establish their own framework of incentives. Special economic zones are attractive for several reasons. First of all, the creation and building of all necessary infrastructure (Supply of heat, electricity, telecommunications, water, gas and other utilities) is conducted and financed by the state. Each level of Federal budget (Federal, Subject and local) co-finance the process. Second, SEZ are subjects to customs exemptions: all export goods necessary for production process which are imported directly to the SEZ territory are free from customs charge and VAT. Third, the system of "one window" administrative offices simplify the administrative issues for the residents of SEZ, as it provides the possibility of obtaining a range of public services in one place. "One window" offices are located directly on the territory of SEZ, which further simplifies administrative processes and reduces the required time. Another advantage of SEZ is the abundance of available labour resources, as these zones are mainly situated in the areas with high human resources potential. All these advantages of SEZ are designed to attract investors to the region where SEZ is located, and therefore to serve as a boost for regions with slow economic development. There are a few SEZ in the Republic of Tatarstan: in Naberezhnye Chelny, Elabuga, Innopolis. Moreover, creation of another special economic zone is planned in Nizhnie Vyazovye. There is also a special for of SEZ: Tech-cities or Technopolis, the main distinction of which in comparison to normal SEZ is the emphasis on development of technologically sophisticated, innovative products. At the moment, there is one Technopolis in Tatarstan, located in Kazan, the capital of the Republic.

As was already mentioned above, the governments of the subjects of Russian Federation can set their own conditions for special economic zones. Republic of Tatarstan has also passed its own law №1872 "On investment activity in the Republic of Tatarstan" dated 25.11.1998. According to this law, investors who have concluded a contract with the competent authority of the Cabinet of Ministers of the Republic of Tatarstan are exempted from the republic-level taxes. There is also a further tax relief for investors operating in "prioritized" industries in the form of 0,1% for property tax and 13,5% for corporate income tax. The tax benefits are valid until the investment activity becomes profitable, but no longer than 7 years from the start of investment.

In general, although 60,8% of entrepreneurs in Russia believe that high taxes caused the failure of their business, the analysis of the system of taxation has shown that government had taken a lot of steps to facilitate entrepreneurship (Lobanovskaya, 2013). There is a variety of simplified tax regimes that not only reduce the tax burden on the enterprises, but also simplify tax reporting requirements. It is worth mentioning, that both legal entities and individual entrepreneurs have the right to combine various simplified systems of taxation for the different lines of ongoing business (under section VIII.1 of the Tax Code of Russian Federation), which gives the opportunity to derive maximum benefit from tax alleviation. In addition, level of digitalisation of governmental tax services is impressive. The website of the Federal Tax Service is clearly structured, easy to use, provides references to all relevant legal sources, step-by-step instructions and gives opportunity to pay state fees through the website. At the same time, simplified tax systems have very strict limits of application, and thus access to tax advantages may be limited for some businesses. Strict limits can also can serve as a hindrance for further growth of the enterprise. For example, if the owner of micro enterprise has the opportunity to expand their business and hire new employees or staff, thereby exceeding the regulated number of 15 people, tax breaks can turn out to be more profitable than business growth in the short run. That, in fact, would contradict the original purpose of the simplified tax systems. Moreover, it can serve as an indirect motivator of shadow economy: employers can decide to hire people without registering employment officially, in order to continue receiving tax advantages. Considering all of the facts mentioned above, one can conclude that the tax regime could be further improved. However significant progress has been made over the course of the last years. This parameter is rated therefore as very favourable.

4.4.5 Developed system of state support of entrepreneurship

This parameter is particularly interesting for analysis, as it has recently been given a lot of attention both from the state and society. While some of the previously discussed parameters can be regarded as having indirect influence, measures of state support have the most apparent and direct influence on the development of SMEs. The structure of taxation can also be considered as one of the forms of state support, as tax relief is often used as incentives for businesses. However, since the topic is quite extensive, it was already discussed separately.

As was already mentioned above, according to a study conducted by the Russian Academy of Science Institute of sociology, about 34.9% of entrepreneurs believe that state support of enterprises is insufficient (Lobanovskaya, 2013). However, the term "support" can be construed in a very broad sense. It is therefore sensible to first define state support. According to William Baumol state SME support is a set of government bodies that serve SMEs and drive different types of resources to them. That is, government support is not only financial assistance, but may be expressed in various forms: consulting, information, technology, etc. (Baumol 2006, pp. 6-12). Therefore, business-incubators, development and training centres can also be considered as state support.

The Federal Web Portal of small and medium enterprises provides an overview of currently existing support programmes, which will be presented below.

Since 2005, the Ministry of Economic Development provides subsidies from the Federal budget to budgets of Subjects of the Russian Federation, which in turn distribute the provided funds to support the SMEs in the region. Legal basis of the program is the resolution of the Government of the Russian Federation of 30 January 2014 №1605 "About granting and distribution of subsidies from the Federal budget to budgets of Subjects of the Russian Federation for state support of small and medium enterprises, including farmer economy", as well as decrees of Ministry of Economic Development, which are issued annually. It should be noted that the funds are allocated between all subjects of the Russian Federation on a competitive basis with an obligatory expenditures co-financing clause. The programme includes both direct and indirect support measures. The main areas of support are support of young SMEs, support and development of youth entrepreneurship, development of information and consulting infrastructure for SMEs, establishment of a guarantee Fund for providing guarantees on liabilities (such as loans or leasing contracts), development of microfinance organizations, support of social entrepreneurship. The program also specifies the priority areas of business it aims to support, which include manufacturing of goods, industrial production (with emphasis on innovative products), handicraft manufacturing, folks and arts crafts, rural and ecological tourism, as well as support of SMEs (private business incubators, technology parks, etc.) and export-oriented

production. Organization and implementation of the programme shall be carried out by an authorized body in the Subject of Russian Federation.

It is worth mentioning, that the distribution of programmes implemented at the Subject-level is quite uneven. For instance, Federal programme "You are an entrepreneur", which is aimed at supporting youth entrepreneurship, was launched already in 2009, but is currently implemented only in 45 regions of Russia (Tatarstan not being one of them). It seems appropriate to expand the programme to more regions and put even greater emphasis on youth engagement, since according to aforementioned survey it is youth that sees entrepreneurship most positively (Molpred, n.d.).

Another government initiative is the creation of the Joint-stock company "Corporation of SMEs", which performs the role of the state Institute for the development of SMEs. The initiative was started in 2015 by the decree of the President of the Russian Federation "On measures for further development of small and medium enterprises" and goes in accordance with the Federal law "On amendments to certain legislative acts of the Russian Federation on development of small and medium entrepreneurship in the Russian Federation". JSC "Corporation of SMEs" provides support in several areas: financial, infrastructure, property, legal and methodological. In addition, areas of competence of the Corporation includes investment attraction of the Russian, foreign and international organizations; assistance in the organization of investment projects (legal, marketing, financial); assistance in increasing the share of procurement of goods from the SMEs by other legal entities; assistance in cooperation with the local self-government bodies; improvement of the state support measures for SMEs. The goals that organization states are extensive and ambitious. According to the Federal Portal for SME Support, "Corporation of SMEs" should become a unified centre for financial and informational support for entrepreneurs, with branches of centres spreading all over Russia. The idea of integrated centre is interesting, since it has the potential to simplify the process of obtaining state support for SMEs. AT the moment it is too early to assess the performance of the "Corporation of SMEs", as the first program is aimed for 2016-2018. However, it will be interesting to follow the development closely and evaluate the result that the initiative brings.

JSC "SME Bank" is the next state support initiative, conducting its activities since 2004. As the name suggests, the bank provides financial assistance to subjects of small and medium business. The main task of the bank is creation of equal access opportunities to financial resources for SMEs throughout the territory of Russian Federation, as well as provision of support through the involvement of other partner banks. Sectors which were prioritized for credit provision are manufacturing, modernization projects, innovative technologies, energy saving technologies and projects of social value.

Another organization, providing state support is fund of assistance to development of small enterprises. The fund focuses on providing financial and informational help to small enterprises, which operate in innovative sector. However, the fund also helps enterprises working in sectors of SME support infrastructure development, attraction of non-governmental financing, facilitation of job creation and workforce training. A sector can be considered "innovative" if it develops or implements high-tech products or technologies based on the intellectual property owned by the company. The fund operates since 1994, and has offices in 68 regions of Russia, therefore results of its activity can be evaluated. In its 21 years of existence, the fund has received more than 55,000 applications. Thirteen thousand applications were chosen for collaboration in research and development, twelve thousand innovators have received state support, more than 4,500 startups were created. Although state attention and support of innovative industry is undoubtedly positive, it is surprising, that the fund managed to launch only 4,500 startups in 21 years. In comparison, according to statistics, roughly 44,000 startups are being founded in Berlin each year (Businesslocationcenter.de, n.d.) Such drastic difference in numbers could be in part explained by the size of the subsidies that companies receive. For instance, one of the fund's programmes "UMNIK", aimed at supporting young entrepreneurs aged 18-28 offers a grant of 400 thousand rubles for two years, which roughly amounts to 6,500 euro. In comparison, there is a similar programme operating in Germany, called EXIS Business Startup Grant, financed by the European Social Fund and the Ministry of Economy of Germany and aimed at young students wishing to start their own innovative business. That programme offers a whole spectre of assistance for its recipients:

1. Coverage of the housing costs, ranging from 1000 to 3000 eur/month based on the education level of the recipient.

2. Costs of materials and equipment. The maximum amount of for entrepreneurs, founding a business alone is up to 10 thousand euros; for groups of entrepreneurs - up to 30 thousand euros.
3. The provision of training and coaching worth up to 5000 euros.

Moreover, the maximum grant period is one year (Exist.de, n.d.).

Being involved in entrepreneurial activity requires one's full attention and time investment. After comparing the conditions of two grants it becomes evident, that EXIST, the German Grant creates far better conditions for entrepreneurs, by providing not only subsidies for materials, but also coaching support and covering the housing costs. The German grant also offers a much strong financial base: 18,000 euro for one year in comparison to 6,500 euro for two years that the "UMNIK" program provides. Overall, this example shows that Russian state support programmes have room for improvement in terms of financial resources, and range of support activities.

The last line of support for SME development conducted at the Federal level, is the program of development of agriculture, approved by the Government on 14 June 2012. Under this program Ministry of Agriculture provides subsidies from the Federal budget to Subjects of the Russian Federation, which in turn implement it for support of rural family farms. This support is implemented in the form of grants and subsidies, which are allocated on a competitive basis to new farmers. The farmers receive grants for development of livestock farms, have an opportunity to receive reimbursement of interest on their credits and loans (used for development of the farms), and reimbursement for expenses for property registration (if the property is used for farming).

Overall, it is evident that the government takes steps in the direction of SME support. However, existing programs are often unadjusted to the modern reality and thus cannot achieve the full desired potential. Almost all of the above programs goals are similar: providing assistance with financing, infrastructure development, informational assistance. However, judging by the present status quo, none of the programs had reached all of their goals. Moreover, the newly established JSC "SME Corporation", states the same purposes and goals as already existing programs, and basically duplicates them instead of offering more forms of assistance. In addition, the analysis

of the legal documents have shown that SMEs have to face many bureaucratic barriers such as licences, certificates, inspections, meeting strict criteria, etc. in order to receive state support. Certainly, regulation and selection process are important in order to select the feasible SMEs. However, if the goal of Russian Federation is the rapid growth of the sector, easing of bureaucratic procedures should be implemented.

The initiatives examined above concentrated on providing mostly financial support. However, development of infrastructure is another pressing topic in development of SME sector in Russia, especially in smaller cities and villages. Creation of special economic zones, industrial parks, industrial sites, technology parks is aimed at improving and/or creating the missing infrastructure, thus attracting new entrepreneurs to the area. Special features of SEZ were already analysed and examined in the previous section. The remaining form of infrastructure development projects will be examined below.

Industrial sites (or "Prompleshadka") is a territory of real estate objects with total area no less than 20 thousand square meters. The advantages of the industrial sites are effectively organized logistics system (zones of loading and unloading of goods, built roads, parking zones), provided support for development of scientific and technological activities, possibility leasing the area with all needed equipment. In other words, the industrial sites ready-made infrastructure where entrepreneurs can immediately start the production and manufacturing of their goods. In addition, residents of the industrial sites have the opportunity to receive additional support in form of subsidies for loan interest payments (provided that the loan was taken in Russian credit organizations), and, in case of Republic of Tatarstan, subsidies of up to 50% for the contract amount under the program "Leasing grant" (this programme will be examined in detail later on). Such sites can be created both by government (on municipal level), and by private investors. There are currently 34 industrial sites in the Republic of Tatarstan (Ministry of Economics of Republic of Tatarstan, n.d.).

Industrial parks, in turn, concentrate more on scientific research, collaboration with institutes and research centres. They can be defined as a territory of real estate objects with area no less than 5000 square meters, created to promote implementation of new technologies in production, adapt new technologies for commercialization in the

mass market, carry out testing and maintenance activities for high-tech companies. There are currently 9 parks in the Republic of Tatarstan (Verhoe Reshenie Consulting, n.d.).

As for the business incubator, it provides assistance and support especially for young small start-up businesses. The company is considered "young" if it has been registered not longer than three years ago. Incubators provide rental premises to companies at discount rates (25% - 50% discount on public subsidies), help in consulting, accounting and legal services, as well as small capacity for engineering infrastructure. Business incubators in Tatarstan often have a narrow sectoral focus (such as the business incubator "IT-Park" which focuses on high-tech and IT technologies), and are often based near Universities. There is a total of 7 business incubators in Tatarstan (Ministry of Information and Communication of Republic of Tatarstan, 2013).

Another kind of infrastructure arrangement designed to support entrepreneurs are so called technoparks. This form is very similar to the type of industrial sites and parks with two exceptions: the territory should be no less than 8 hectares (instead of 20 thousand and 5 thousand square meters), and the residents of technoparks do not receive any additional grants or subsidies. Currently there are 34 technoparks in the Republic of Tatarstan (Industrial parks and technoparks of Russia, n.d.).

Special economic zones can be also considered to be infrastructure development projects. However since they mostly attract residents with their special taxation rules, they were considered in the taxation section.

In general, abundance of initiatives for infrastructure development is an overall good sign. However, some duplication of the concepts and types of projects is noticeable. Almost all above presented initiatives have more similarities than differences, and in most cases (i.e. technoparks, industrial sites and industrial parks) those differences are also not dramatic. For an end user of the service, an entrepreneur, this poses a threat of confusion, or even choosing a wrong type of platform. In addition, some of the platforms impose such requirements, that it may become impossible for members of SME sector to become a resident. For instance, in order to become a resident of SEZ "Territory of advancing socio-economic development" in Naberezhnye Chelny area,

apart from being registered as a legal entity in the territory of the city, the company must be able to implement an investment project within the borders of the city, to create at least 20 jobs during the first year of its activities, and have the volume of capital investments amounting to 5 million RUB. Especially the capital investment requirement makes it rather hard for young striving companies to gain access to the advantages of this SEZ.

The situation with state support programs looks overall positive. However, as U. Biktyakov mentions in his article, infrastructure for small business support often looks good only paper. Often the activities of business incubators, technology parks and centres of business development are limited only to existence of a registered legal entity, but no real actions to help entrepreneurship are taken (pp. 60-68).

Summing up the information in this section, one can say that Russian government indeed created a lot of projects to support small and medium enterprises. However, it is doubtful how effective the created projects are. Abundance of different structures and organizations creates the appearance of having a variety of different support structures, while in fact they are designed to perform the same function, and have the same goals and objectives. For these parameters, it can be noted, that creation of other, unduplicated forms of support must continue. Efficiency of existing institutions must be improved by loosening the over-strict requirements for SMEs, as well as by broadening the spectrum of support (to include accommodation, education, etc.). Therefore, this parameter is rated as medium-favourable.

4.4.6 Effective system of intellectual property protection

As can be seen from the previous section, Russian state puts a lot of emphasis on development of high-tech enterprises and innovative technologies. One necessary condition for nurturing the development of innovation in entrepreneurship is the existence of effective system of intellectual property protection. After all, the development of ideas, equipment, schemes take time and effort. Like any kind of property, intellectual property can become the object of attacks by third parties as well, so if there is no system in place to protect it, entrepreneurs might be reluctant to show initiative.

Intellectual property is defined under the Civil Code of the Russian Federation as legally protected results of intellectual activity and means of individualization. Intellectual property is a special kind of ownership that differs from physical ownership in several important aspects. First, it is immaterial, as it is a product of a person's thoughts. The owner of the intellectual property can be a sole owner, or grant his or her rights to another people, whose number is unlimited. Second, it is absolute, which means that only the copyright holder can give permission for its use, and that the absence of a direct ban does not signal authorization to take over the ownership. Third, despite its intangible nature, intellectual property can be embodied in material objects. For example, an author publishing a book. A person who later on buys that book becomes an owner of that particular issue, but not an owner of intellectual property rights to it. Fourth, the concept of intellectual property varies from country to country. Russian Federation has an exhaustive list of objects that can be considered intellectual property under the articles of the Civil Code of the Russian Federation.

There are several kinds of intellectual property according to Russian legal system: copyright, rights related to copyright, patents, non-traditional objects of intellectual property and means of individualization of legal entities, enterprises, goods and services. Copyright refers to the works of science, literature and art, in other words - the results of creative activity, existing in an objective form. Copyright does not apply to ideas and methods, concepts, principles, discoveries. As regards rights related to copyright, they apply to musical works, theatrical performances, broadcasting, etc. Patent law protects the industrial property: inventions, models, industrial samples. As for the non-traditional objects of intellectual property, they include know-how, selective achievements and integral micro schemes. Means of individualization, in turn, refer to brand logo, trademark, company name, place of origin mark, etc. Intellectual property rights can be either personal intangible rights (e.g. being recognized as the creator of intellectual property, right to prevent infringement of IP) and tangible rights (e.g. rights to receive income from intellectual property, the right to use IP). An important element of legal protection of IP is the registration of intellectual property objects, which in most cases is done through Rospatent, the Federal service working in the field of trademarks, industrial property objects and software products. The registration process is strictly regulated and complicated. Violation of the registration process procedures can significantly delay the registration process. It is mandatory to appeal to

the Chamber for Patent Disputes at first in case of violation of intellectual property rights. If the appeal will be filed directly to court it will be returned to plaintiff. In case of disputes regarding false quality, product properties and features claims, as well as regarding the unlawful use of a trademark the claims shall be filed to the Federal Antimonopoly Service (FAS). FAS has the authority to force the offender to restore the situation which existed before the violation of the law, or to transfer the income received from conducting unlawful activities to the Federal budget. However, FAS has no authority to hold the offender civilly liable, that is, to impose fines and compensations. For civil liability disputes the plaintiff shall address the court on intellectual rights, which started its operations in 2013. The court deals with claims concerning early termination of trademark protection, protection of intellectual property rights (as a Court of Cassation), violation of copyright, etc.

Overall, the Russian system of intellectual property protection is not functioning perfectly. As noted above, the patenting process is complex and can take a long time, which increases the costs for the entrepreneur and may negatively affect the motivation to innovate. In addition, as noted by D. A. Medvedev at the Session of Presidium of the Presidential Council of the Russian Federation on 17 February 2015, Russia ranks only seventh in the world in number of national patent applications and the export of intellectual property in Russia exceeds the export more than 11 times (Government.ru, 2015). There are also opportunities to improve the development of intellectual property protection by simplifying tax administration and improving tax accounting of intellectual activity results. In addition, ratification of The Hague agreement concerning the international registration of industrial designs, which Russia has signed could be beneficial. The Prime Minister himself called these steps as "clear" and "obvious" during the Session. All the more it is not clear why the system has not been perfected yet. Moreover, the first results of the activity of the court on intellectual property rights showcases that the judicial process is hampered by the lack of experts in the fields of technical and natural sciences. As noted by L.A. Novoselova, the chairwoman of the court of intellectual property rights, the involvement of experts from relevant areas is complicated by the fact that majority of experts in the required fields are still working and therefore do not wish to leave their work. Combining public service employment with other types of employment is currently not allowed by law in order to minimize conflict of interest. All in all, the government should take more

proactive action in order to improve protection of intellectual property. As D.V. Livanov mentioned, there is a direct correlation between the growth of intellectual property, the share of exports and GDP growth in general. Thus, to accelerate the economic development of Russia and SME sector in particular, the system of intellectual property protection must be improved.

4.4.7 Understanding and acceptance of business ethics

The ethical issues in general and ethics in business are one of the most important and one of the most uncertain topics. Ethical standards in business can be understood as a combination of factors of the behaviour of individuals engaged in entrepreneurial activity aimed at meeting the needs of the market, consumers, state and society (Brunova, 2010). The very definition of ethics does not provide clear guidelines to identify which specific behaviour is ethical and which is not. Defining the scope of "ethics" is not easy, as each individual has their own ideas about good and evil, ideals, standards of behaviour, and border between moral and immoral actions. As history shows, ideas about ethical standards change over time with the development of society. Moreover, with the development of technological progress new ethical questions emerge, for instance ones concerning development of artificial intelligence or data protection. For enterprises, which also change and develop together with society, the question of ethics is, of course, important as well. According to the website Bulldog Reporter, 4 out of 5 buyers consider ethics to be an important factor. Moreover, the development of the Internet and the ability to access all the necessary information makes buyers more cautious (Carufel, 2014). The value orientation of entrepreneurs is largely influenced by the external environment, especially by the existing legislation, position of the population, modern trends, etc. Legislation comes as a first factor in the list, since it largely sets the boundaries of ethics. It is doubtful that many entrepreneurs will take on the extra efforts to reduce the environmental pollution caused by their production, if their current level of pollution is not objectively the best, but is consistent with the norms established by the law. History shows that ethics are not always a priority for business owners and even large corporations that are able to allocate budget for the development of corporate social responsibility choose to deceive the customers. Recent Volkswagen emission scandal proves this point. In addition, support of development of business sector and laws guarding the ethical standards are often seen as conflicting. Since legislative relief for entrepreneurs is one of the most effective ways to support business, setting strict limits and constraints can

indeed hamper the development. Therefore, an ethical issue arises before the government itself: necessity to find a balance between ethical values and support of economic growth.

Development of ethical aspect of entrepreneurship in Russia was influenced by several factors over the course of history. As Petrunin and Borisov (2004) note in their work, there are three main problems of ethical conduct of business in Russia. First, ethical approaches to business are underdeveloped. As a consequence, business commitments are frequently violated and entrepreneurs show lack of faith in the concept of ethics. As already mentioned, history of Russia plays an important role in the development of entrepreneurship. The lack of business ethics could be partly attributed to historical tendencies and development examined earlier in the thesis, mainly the criminal 1990's. Secondly, Petrunin and Borisov emphasize that business in Russia is characterized by the broad use of force, threats, psychological pressure and extortion. Thirdly, the authors point to the high level of corruption and abundance of artificial barriers for entrepreneurs, hampering the implementation of ethical obligations. Finally, they mention wide use of "semi-legal" means, i.e. so-called loopholes or grey areas in the laws.

In general, it is clear that business ethics in Russia is underdeveloped, and needs to be improved. Optimizing the legal system, actively working with the mentality of the citizens, implementing real measures and developing a habit of ethical business practices are only some of the ways of improvement. In addition, it is possible to adopt foreign experience and introduce, for instance, tax incentives on charity activities. Currently charity activities can be only partially exempted from the tax, and the process is highly complicated.

4.5 The policy of Republic of Tatarstan on development of Small and Medium Enterprises

The previous section provided a comprehensive overview of the factors influencing the development of an entrepreneurial climate in the country as a whole. This section, in turn, will consider the governmental policy of the Republic of Tatarstan in particular, mainly the existing governmental support programs. However, this section will not go

into further detail regarding other parameters for successful business development, as they stay relatively the same across the country.

The first program of state that will be examined in this section is "Leasing grant", which was already mentioned earlier in the work. The program is carried out by the Centre of programmes for Support and development of Small and Medium business of the Republic of Tatarstan and is aimed at reimbursing the initial leasing payment to SMEs. The items of lease agreements that fall into the categories covered by the grant program include devices, machines, vehicles (excluding passenger cars), instruments, etc. The amount of provided support varies depending on specific factors. For instance, if the company does not have any debt in fund and is not involved in mineral processing, it can receive up to 1 million RUB (but no more than 45%) if it has just started its activities and up to 3 million RUB (but no more than 30%) if it had been conducting business activities for a while. The above mentioned factors are a prerequisite for almost all government support programs and therefore will not be explained in detail later on. One million RUB roughly equals to 16 thousand EUR, 3 million RUB amounts to 48 thousand. Alternatively, if the company complies with aforementioned criteria and is currently registered as a resident on the territory of industrial site, or uses innovative infrastructure in its production activities, beginning entrepreneurs can receive a grant of 1,5 million RUB (24 thousand EUR), experienced entrepreneurs can receive up to 5 million RUB (80 thousand EUR). The third group of participants includes production cooperatives, and family livestock farmers. They can receive up to 1 million RUB if they have just started conducting business activities, or up to 3 million RUB in case they have been operating for a while. As can be seen, the grant sum varies depending on the area of activity, participation in infrastructure projects and experience in conducting business. The program proved to be popular among entrepreneurs, with 228 participants submitting an application in 2016. Although the number of applications has decreased in comparison with previous years, it is still a high rate of participation. 86% of applications were approved, and the amount of received grant averaged 1,2 million RUB. In comparison, in 2014 878 enterprises filed an application, of which 461 were approved. In the first year of the program's existence, 2013, the number of participants amounted to 681, and the number of grant recipients was the highest throughout the existence of the program - 538. The budget allocated by the government for this program has also varied over the

years. In 2013 it amounted to 600 million rubles, in 2014 to 569 million and to 358 million rubles in 2015. As can be seen, the budget has been steadily decreasing from year to year (Tatgrant.ru, 2017).

Another program, carried out on the republic level involves subsidizing the cost of equipment. Program applicants must meet the following criteria: being a resident of an industrial site, business incubator, or another infrastructure development project. The amount of potential support is limited to 50% of the cost of the equipment and may not exceed 5 million RUB in total. The grant can only be issued provided that the supplier purchased equipment (machines, devices, units, etc.) from a manufacturer or official distributor registered in Russian Federation. Further limitations include the impossibility of subsidizing equipment purchased before January 1, 2014, vehicles (including construction equipment), equipment which was previously in use and equipment manufactured more than three years ago from the moment of application submission (Ministry of economics of Republic of Tatarstan, n.d.).

Next program has the same structure as the previous one and is aimed primarily at subsidizing interest rates on credits borrowed from Russian credit organizations for the construction or reconstruction of production buildings and purchase of equipment. The following businesses can apply for this grant: residents of infrastructure development projects, which are working in prioritized industries (manufacturing, agriculture, construction, transport and communications), or engaged in the production of goods and services. The grant may not exceed 2/3 of the official Bank of Russia rate of the accrual interest paid and may not exceed 1 million RUB in total. In addition, the subsidy does not cover the acquisition of vehicles and equipment for wholesale and retail trade, as well as used equipment (Ministry of economics of Republic of Tatarstan, n.d.).

The following programme, implemented with the help of the Fund of support of Business of Republic of Tatarstan (namely, the export support centre) combines subsidies and provision of services. Moreover, it focuses primarily on export-oriented small and medium businesses. Under this program, export-oriented SMEs have the opportunity to receive free training regarding the peculiarities of foreign economic activity, to receive assistance in writing investment proposals, as well as assistance in

the preparation of presentation materials and their translation into foreign languages. The program also includes small grants amounting to 5 thousand rubles, which can be used to pay the services of a business consultant, paying up to 90% of costs on marketing research, or alternatively covering up to 50% of the cost of certification of products, as well as the full subsidizing of expenses connected with participation in exhibitions and fairs. This program offers a comprehensive, all-round approach to SME support by taking into account different areas, such as education, investment, business development, etc. Praise left by participants of the program on the official website indicates that this approach delivers real tangible results (Ministry of economics of Republic of Tatarstan, n.d.).

Moreover, there are programs aimed at facilitating financing and funding; in particular, the program of Fund of support of Business of Republic of Tatarstan (namely the centre of microfinance). The program provides SMEs that have been registered for at least 6 months, with financing ranging from 100 thousand to 1 million rubles for a period up to 3 years at 10% annual rate. To obtain a loan companies should provide a mandatory deposit. Received money can be spent on infrastructure costs. It is, however, not allowed to spend the loan on payment of overdue taxes, employee salaries, repayment of debt to founders and for the purchase of company's shares. Nevertheless, the main problem for SMEs in obtaining loans is often the lack of proportional deposit or surety for receiving the loan. For such cases another support program was developed, namely the program of Guarantee Fund of Tatarstan, which provides SMEs with surety for the loans. The minimum sum of the loan should be no less than 1 million rubles, the maximum cannot exceed 30 million rubles; the loan term must fit within 1 to 7 years. The share of surety given by the Guarantee Fund does not exceed 50%, moreover it receives 1,5 % of the loan annually as a reward (Ministry of economics of Republic of Tatarstan, n.d.).

Additionally, Republic of Tatarstan has carried out many programs to support the development of innovative technologies, such as the creation of the city of high technologies Innopolis or contest "Fifty best innovative ideas for Republic of Tatarstan", carried out by the Investment and venture Fund of the Republic. Participation in the contest is open not only for residents of the Republic, but for all citizens of Russia and foreign citizens as well. The contest aims to select the best

projects which solve problems in scientific-technical, social, economic and humanitarian spheres of the Republic of Tatarstan. The winners of the contest get a scholarship ranging from 5 to 30 thousand rubles, as well as funding from the Investment and Venture Fund of Tatarstan ranging from 25 to 220 thousand rubles. "Fifty best innovative ideas..." has 8 nominations, which are aimed at different age groups and different spheres of innovation. Nomination "Perspective" is awarded to students of secondary schools, aged 11 to 19 years. "Innovations in education" is awarded to teachers, professors, and entrepreneurs, who are working on innovative projects in the field of education. "Start of innovations" is awarded to participants who focus on solving the problems of scientific and technical character. "Nanoimpuls" award gives grants to projects in the field of nano-technology. Nomination "Projects of Association of innovative regions of Russia" involves applications of the participants from other regions of Russian Federation. The nomination "Best invention of the year" has to do with objects of intellectual property, which received a patent either in the year of the competition, or during the previous calendar year. "Youth innovation project" awards the winners of the program "UMNIK", which is implemented in the Republic of Tatarstan, and which was mentioned earlier in the work. As for the last nomination "Socially significant innovations", it awards grants to projects aiming at developing socio-economic and humanitarian development of the Republic (Ministry of economics of Republic of Tatarstan, n.d.). Overall, the program lays down the right foundation for the development of entrepreneurship: it covers different industries, participation is open to different demographic groups, etc. However, it is worth mentioning, that the maximum level of investment reaching up to 220 thousand rubles might be enough for some of the covered areas (i.e. education), but could not possibly suffice for such areas as high-tech or nano-technology projects.

In addition to the above mentioned projects there are other support programmes in Tatarstan, mainly those aimed at development of the agricultural sector. They include programs for partial reimbursement of agricultural costs, costs to improve crop yields, costs spent on pesticides, costs spent on increasing the plantation areas. In addition, livestock farms receive support in the form of reimbursement of expenses for the purchase of feed for livestock breeding. Moreover, there are subsidies which partly cover the costs of interest rates payments, long-term or short-term loans, costs of technical modernization. Also there is a system of grants that supports specialists

working in the agricultural industry, research in the field and veterinary and sanitary improvement of farming conditions.

Agriculture is one of the prioritized industries when it comes to development of entrepreneurship, as confirmed by the increasing number of government support programs. Although development of agriculture is, undoubtedly, an important area, perhaps shifting the focus to innovative technologies (i.e. increasing the size of subsidies and grants) would be beneficial as well.

This chapter took a detailed look into different parameters that help measure the state of entrepreneurial development in a region or country. Although some factors were rated as negative, the overall situation can be rated as rather positive: there is an abundance of governmental support programs, tax system benefits, and information is easily accessible.

5 Current entrepreneurial climate in Republic of Tatarstan

As was already mentioned in the previous chapter, facilitation of development of SMEs looks good in theory. In this regard, a logical question arises: why has the development of the SME sector still not reached the desired level, despite all government policies and activities? In order to give a complete answer to this question, the author conducted several expert interviews with individuals involved in the entrepreneurial sector in the Republic of Tatarstan. After all, making conclusions based on secondary data analysis: laws, decrees, publications, etc. gives a rather one-sided impression of the issues. By conducting the expert interviews the author aims to discover how theoretical concepts of government support of SMEs apply to real life conditions. In order to get a well-rounded picture of the current status, author selected representatives of various groups, which are involved in the process. The respondents included three entrepreneurs operating on the territory of the Republic of Tatarstan (Aksenov M.V., Zakirova A.A., Speransky M.V.), Deputy Head of the municipal authorities of the city of Nizhnekamsk located in the Republic of Tatarstan (Dolotkazina E.D.), Senior specialist of Department of economic forecasting and transport of Executive Committee of Nizhnekamsk municipal district (Bagautdinova T.N.) and a representative of the Centre for development of SMEs in the city of Nizhnekamsk (Salimgaraeva E.). All conducted interviews were semi-structured: a few key aspects

were identified, however respondents had the opportunity to speak freely. The choice of interview style was based on the fact that an informal, unstructured atmosphere invited respondents to share more details, and give more open, detailed answers. Moreover, it is possible that certain topics that author have not thought of would come up in the course of the interview. Analysis of retrieved primary data was conducted according to the Mayring method, which was described in detail above in chapter 3. Obtained data, as well as its analysis and translated transcripts of the interviews are presented in the Appendix.

All interview statements were analysed and subsequently divided into two large groups: problems and challenges of the status quo, and opportunities and suggestions to improve the current situation. Analysed results will be presented in the following sections.

5.1 Problems and challenges of the status quo

After analysis and coding the interview according to the Mayring system, 12 subgroups were identified in the first cluster of statements. These subgroups included administrative aspects, taxation system, informational deficiencies, human resource issues, the attractiveness of available resources, the impact of political events on the business sector, aspects of mentality that affect business, corruption of state structures, the presence of more attractive opportunities, working conditions in government agencies responsible for the development of small and medium enterprises, and other factors. Each subgroup will be examined in detail in the following sections.

5.1.1 Administrative aspects

Respondents noted that although such aspects as company registration, etc. improved over recent years, there are still imperfections in the administrative regulations of entrepreneurship. Commonly named aspects that need improvement included accounting and tax reporting for enterprises. In addition, Speransky noted, that despite the ongoing initiatives to establish a Single Centre for Entrepreneurship in Nizhnekamsk, bureaucracy significantly slows down the process. For example, it is not possible to accurately estimate time required for completion of the work, and therefore impossible to proceed with the planning and organization of activities of the Centre.

The described problems are undoubtedly an obstacle to the development of small and medium-sized businesses. However, bureaucracy is an issue for almost every government. The state apparatus is a complex multi-level branched structure, so it is natural that there are some inefficiencies. Optimization of government processes has already been started in many areas: for instance, in simplification of procedure of registration of own business, creation of joint document centres, introduction of online services for certain government agencies, and so on. Therefore, it is expected that this aspect will continue to improve in the future.

5.1.2 Taxation system

Respondent-entrepreneurs expressed the point of view that the amount and process of taxation in Russia is one of the main limiting factors in the development of SMEs. At the same time, two out of the three interviewed entrepreneurs said that they implement simplified systems of taxation for their businesses. Taxation has always been a topic that caused debate and discontent, regardless of the size of taxes. However, according to Bloomberg Russia, along with the United Kingdom, offers one of the lowest rates of corporate income taxes in the world. It is also worth mentioning that Russia has a flat taxation system, which means that the tax rate remains constant, regardless of the amount of profits. Moreover, availability of simplified systems of taxations for entrepreneurs further ease the tax burden. Taking all the facts into consideration, one has to admit that in this case criticism of the entrepreneurs is not grounded. Most likely criticism of taxes will always prevail regardless of the tax size. In addition, taxes form an important base for the optimal functioning of the state apparatus, and in consequence, cannot be completely eliminated or lowered to an unhealthy low level.

5.1.3 Shortcomings of the existing structures of state support

On the territory of the Russian Federation and the Republic of Tatarstan in particular, support infrastructure for SMEs is actively created. Programs for development, laws, programmes of grants and subsidies, construction of industrial sites and industrial parks are only a number of activities which are being conducted. The question arises: why is the effort not bringing the expected results, and why does the share of SMEs in Russia's GDP remains at a low level? According to Aksenov, entrepreneurs simply cannot rely on the state support system as it does not function. Speransky, in turn, expressed his opinion about industrial park "Kamykie Polyany", calling it a "stillborn"

project due to lack of tax incentives and qualified human resources. In addition, he identified the lack of a joint centre for entrepreneurs and fragmentation of support structures as a disadvantage of the existing system.

5.1.4 Information deficiencies

Interviewed entrepreneurs admit, that they are not familiar with full range of programs of state support. While some blame poor information channels: "There is no adequate communication from the government"; others recognize that they themselves have not researched enough: "I never asked about support programmes and know little about the existing programs. In addition, fragmentation of support structures is mentioned again: "We have the representation of the chamber of Commerce here, it's just that no one knows about it..." So she [the representative of the Ministry of economy] advises on these issues. But she's sitting in the private office, the rest sits somewhere else – all scattered". Thus, there is a combination of several factors: entrepreneurs are poorly informed, both due to lack of personal initiative as well as due to weak government communication. However, it should be admitted that proactive attitude and interest of entrepreneurs plays an equally important role as availability of clear communication from the state. Moreover, in recent years the public services thoroughly updated their web presence which shows the desire to improve the situation.

5.1.5 Lack of qualified human resources

Another problematic factor mentioned by respondents was the lack of qualified human resources. The problem of many small towns in Tatarstan, such as Nizhnekamsk, is young people leaving to a larger city in hopes of getting better education, employment and wider choice of leisure activities. This trend negatively affects the development of SMEs in small cities, since often young population has a greater tendency to develop their own business. In addition, the uneven distribution of competent professionals in the country influences SME sector as well. For instance, the town of Nizhnekamsk has a surplus of specialists in the field of chemical technologies, due to the proximity of the city-forming enterprise JSC "Nizhnekamskneftekhim", as well as the presence of the Nizhnekamsk Chemical-engineering Institute. At the same time, nearby lying cities Kamskie Polyany or Elabuga, have a lack of qualified specialists in this field. The third aspect mentioned by the respondents during the interviews is the lack of important basic knowledge in the field of conducting business: "People do not know how to do business; all this is new for us. Done at random, blindly." This poses a rather acute

problem for SMEs. Indeed, human resources are the foundation of any enterprise, and lack of competent workers can ruin even the most innovative and cost effective idea.

5.1.6 The attractiveness of available resources

The Republic of Tatarstan is rich in natural resources: more than 800 million tons of oil, gas, reserves of limestone, dolomite, building sand, clay for brick production, building stone, peat, brown and black coal, zeolite, copper, bauxite, etc. This allows the Republic to develop technological production, especially in the sphere of extraction and processing of oil, which amounts to 25.2% of the total volume of manufacturing production of the Republic of Tatarstan (Republic of Tatarstan, n.d.). Businesses based in Tatarstan have therefore an advantage of being in proximity to many resources. For instance, company iPlast based in Nizhnekamsk municipal region is the biggest manufacturer of industrial plastic containers and packaging in the country (Iplast.com, n.d.). According to Speransky, proximity of raw production materials provides a lot of potential for Nizhnekamsk region. However, it is not fundamental for production. He claims that iPlast uses raw materials imported from China along with the raw materials of PJSC "Nizhnekamskneftekhim". Moreover, he argues that the choice of the Chinese raw materials is justified by more attractive prices and better quality. Upon further consideration, the attractiveness of available resources is not as apparent anymore, since it is possible to get a better price for better quality elsewhere.

5.1.7 The impact of political events on the business sector

As mentioned in previous sections the foreign policy of the country has a direct impact on the economy. This can mean positive effects for entrepreneurs (for example, in the case of a trade agreements) and negative (in case of sanctions). In addition, foreign policy can negatively affect state support to small and medium enterprises as well. For example, according to Speransky, the appreciation of the euro due to recent political events resulted in decline of popularity of "Leasing grant" program. "It's easier for me to buy the equipment myself", he admits, adding that his company did not accept the grant even though it was selected as a winner. Political factors are unpredictable. Reducing their negative impact on entrepreneurship is not an easy task. In addition, the state may not always act in the interests of business in the international arena, as it should protect other areas of interests, such as security, sovereignty, territorial interests, and so on.

5.1.8 Aspects of mentality affecting the business

This category contained the most statements from the respondents. Many confirm that society shows little to no trust in entrepreneurship. Moreover, such statements as "In my opinion, majority of people working at the enterprises are rather followers than leaders. It is unlikely that an ordinary worker will succeed with his business. He has no initiative, he is accustomed to obeying the management..." and "Everyone wants to have a secure position where they will be told what to do" emphasize the lack of interest and skills of the population towards entrepreneurship. Passivity towards development, unwillingness to take action, hoping that issues will get sorted out on their own are only some of the negative factors mentioned in the interviews. In addition, distrust of entrepreneurs towards help offered by the state is a widespread problem. Excerpts from the article of the newspaper "Nizhnekamsk Pravda" from 06.08.2014 illustrate this situation. "I did not take a single cent from government and do not regret it. My friends contacted the state support programmes, and are constantly held accountable for received money now" - said the businesswoman Kalmykova. "I most likely will not apply for any state help. I do not trust the agencies, and do not want to contact the companies-intermediaries who claim to want to help me to develop the business... What is their interest in it? There is free cheese only in a mousetrap," adds entrepreneur Garaev. Another interesting factor is the mentality of "cronyism" which is widespread in the country. According to Speransky, his appointment to the post of Adviser to the Head of Nizhnekamsk municipal district regarding development of business was directly connected with the fact of his long friendship and good relations with the Head of the municipality of Nizhnekamsk. Moreover, Speranski noted that "He [the head of the municipality] offered me work in the administration as well. But I'm still a businessman, and not a civil servant".

All the above mentioned factors, naturally, influence the development of the SME sector in a negative way. The cause of such behavioural patterns lies in history, which cannot be changed. Changing behaviours is a long, time-consuming, but a possible process. The impression that none of the respondents perceive the country's population as capable of active business activities, despite the fact that they themselves are active participants of business relations, have active life position and are committed to the development is surprising. It is possible that such a negative view on things is yet another feature of mentality affecting the business sector.

5.1.9 Corruption of state structures

Another factor that hampers development of SMEs is corruption. Entrepreneurs admit that their reluctance to apply to government for assistance is directly related to the unwillingness to deal with a corrupt system. Indeed, according to the international organization against corruption Transparency International, Russia is in 119th place among world countries according to the index of perception of corruption. Countries such as Azerbaijan, Guyana and Sierra Leone are on the same level with Russia. Corruption is an obstacle not only for development of entrepreneurship, but for becoming a functioning, fair state. That is why Russia should continue efforts to reduce the level of corruption. According to Sergey Strelnikov, a member of the expert Council under the government group on anti-corruption, a new national plan for combating corruption is being developed. It should include new, stricter measures for personal liability of heads of regions and bodies of Executive power (Lenta.ru, 2016). However, it is important to remember that combating corruption is a task done not only by government. Every citizen of the Russian Federation should refrain from encouraging the development of the system, and becoming part of it.

5.1.10 Availability of more attractive opportunities

The development of small and medium business, of course, will not take place, if citizens are not interested in starting their own business. As has already been mentioned in this work, the percentage of interest in starting own business is still at a low level, and more than 60% of the population do not want to have their own business. One explanation for such low interest in entrepreneurship could be availability of more attractive opportunities. Dolotkazina explains that in single-industry towns, as a rule, the city-forming enterprise offers the best opportunity for career growth and greater stability than starting own business. It is possible to assume the same for larger cities as well. This factor is beyond the control and influence, because the very essence of entrepreneurship is risk and hard work, so some part of the population will always be less interested in this kind of activity.

5.1.11 Working conditions in the public bodies responsible for the development of SMEs

Despite the fact that the Federal and Republican levels of government develop the laws and programs regarding SMEs, the municipal authorities are the primary contact for the entrepreneur. They communicate information, are responsible for implementing

programs and SME support. The success of implemented support programs therefore largely depends on the effectiveness of these municipal bodies. According to Bagautdinova, despite the fact that the Economics Department is listed as responsible for the execution of SMEs development and support programmes for 2014-2017, almost no work has been carried out. She identifies several reasons for that: first, the lack of motivation to perform additional tasks, since the wages remain low (10 thousand RUB per month), and other non-monetary forms of motivation are not provided. Second, the department has other work to complete and there are no free time resources. The final stated reason was lack of staff in the Department. At the time of the interview 2 specialists were employed in the Department, while the position of the head of Department was vacant.

It is crucial to draw the government's attention to the fact that the municipal authorities should receive sufficient resources (both human and time) in order to be able to adequately support small and medium-sized enterprises.

5.1.12 Other factors

Entrepreneur Aksenov shares his impressions about doing business in Russia by stating: "doing business here is very difficult, it is always necessary to overcome obstacles and fight, fight, fight. Why it is so is unclear to me. In the end, it is better for our country if entrepreneurs succeed". Dolotkazina, in turn, notes that, despite all attempts by the state to provide the necessary support and measures, the process still goes very slowly, "not with the speed with which we would like."

Overall, considering all the factors mentioned in this section, one can say that there is a lot of obstacles for SME development in Russia in general and Tatarstan in particular. Moreover, many of them are global rather than local in nature (such as the problem of corruption, mentality, the factor of foreign policy effects), and cannot be changed by the efforts of either local or national authorities. Moreover, conducted interviews clearly showed that often negative attitudes stopped entrepreneurs from researching or asking for help, even though there was an abundance of available programs.

5.2 Opportunities and suggestions to improve the current situation

Despite the relatively large number of obstacles standing in the way of SME development, there are still some positive aspects. This section will look at the existing

opportunities to improve the level of development of small and medium enterprises identified by the respondents.

5.2.1 Existing and planned programmes of state support

The presence of development programmes as such is already an indication that steps are being taken to improve the situation. This is confirmed by the words of Speransky: "First of all – we finally we got it the development ptogramm, we did not have it before". In addition, there are efforts aimed at infrastructure development and reduction of entry barriers, especially for industrial enterprises, creation of centres of entrepreneurship, which would unite many structures connected with entrepreneurship under one roof. According to Speransky: "coworking in the new entrepreneurship Centre will become a point of attraction for entrepreneurs."

In addition, big expectations are connected with existing (leasing grant), and planned programs of interest rate subsidies. Interestingly, the industrial Park in Kamskie Polyany, which received a negative feedback from Speransky, is rated as one of the most successful regional programs by Dolotkazina. She states: "[the industrial Park] is developing. There is a very good production of stretch-film. In my opinion, they are able to take a big share of Russian market". All programs mentioned by respondents have already been analysed in the theoretical part of this thesis. It is remarkable that a lot of respondents show enthusiasm for the joint centre for entrepreneurship as a project. Apparently, the government and entrepreneurs expect positive changes from this initiative. It is not yet possible to assess the results since the centre has not begun its activities, but it will be worth following its development.

5.2.2 Favourable location

Despite the fact that this factor was already considered in the previous section as a negative one, there is a positive side in proximity to big industrial enterprises for production as well. Easy logistics and ability to negotiations with partners in the same language are rated as very valuable factors.

5.2.3 Availability of human resources

This subgroup was also considered as a negative factor. However, as Speransky mentions: "We have a dime a dozen chemists-technologists." High concentration of qualified personnel can be used for the benefit of the region as well. As for the uneven

distribution of human resources, this problem can be solved by improving the overall infrastructure of smaller towns.

5.2.4 Interest towards investment

Dolotkazina notes that currently middle managers, who receive high salaries and have sufficient savings, are trying to invest in business, predominantly in the service sector or catering. Such trends have a positive effect on the development of urban infrastructure, and provide new recreational opportunities for residents as well as new jobs. This factor can also be the answer to the problem of retaining youth in small towns, which was announced in the previous section.

5.2.5 Infrastructure development

This factor regards the improvement of the business environment. Speransky strongly believes: "First there should be appropriate infrastructure, then everything else will follow". There are already existing projects which are aimed at development of business infrastructure, which were discussed in previous chapter.

5.2.6 Informational support

Inadequate level of information provision in combination with a certain amount of passive attitude of entrepreneurs leads to the fact that a large proportion of businesses are not aware of the existence of support programmes. Thus the whole point of these programs gets lost. Therefore, representatives of government should attract more attention to the existing programs, and promote them.

5.2.7 The willingness of state structures to take action

The government understands the importance of enterprise development as the direction of the economy. According to Dolotkazina: "We, as government, understand that this direction needs to be developed. We have some prospects for the future, and we want to create new programs, and there are already some on the way." Government's desire to change the status quo and willingness to implement new programs to improve the situation are the first steps on the way to better SME development, which lay at the foundation of the whole process.

5.3 Addressing the research questions

By means of analysis of secondary and primary, the author came to the following conclusions: the results of theoretical and empirical studies have confirmed all three hypotheses defined by the author in the introduction chapter.

First hypothesis: "state benefits and subsidies create the base for development of SME sector. However, the level of awareness and/or trust in these programs negatively affect their effect on the development of SME sector" was confirmed by several facts. Analysis of legal literature revealed that there is an abundance of support programmes. They undoubtedly have a positive impact on the overall development of SMEs, as those entrepreneurs who use the programs admit their effectiveness. On the other hand, other entrepreneurs are not aware of available benefits, programs, and other means of support. Moreover, entrepreneurs do not strive to learn more about existing programs, as they distrust the state and prefer not to ask for help from the government.

The second hypothesis, stated as: "main challenges in the development of SMEs are bureaucracy, poor infrastructure and lack of qualified personnel", was confirmed in the course of conducting interviews. Entrepreneurs pointed to corruption as one of the main factors that slows down the development of SMEs, entrepreneurial culture was also evaluated as being underdeveloped. Shortage of qualified human resources was mentioned several times by respondents as one of the most critical factors in the development of SMEs. In addition, analysis of the legal material revealed that measures of state support are often duplicated. For example, the idea of creating a Business Development Centre in the municipal formation of the city of Nizhnekamsk is identical with the Federal-level initiative of "Corporation of SMEs", and is very similar to the already existing structure operating in the city – the SME Support Centre. Another example of a duplicate is the creation of new industrial site in Nizhnekamsk, although there is already one industrial park "Kamskie Polyany" in the same area. Industrial parks and sites have minor differences between them. Considering the main reason for construction of a new venue: no qualified human resources in Kamskie Polyany and proximity of raw materials to Nizhnekams, the new project seems like a waste of money. The distance between the urban-type settlement Kamskie Polyany and the town of Nizhnekamsk is 45 kilometres, thereby making the importance of aforementioned arguments doubtful. Kamskie Plyany is part of the same municipal formation as Nizhnekamsk. If the first infrastructure development project could not attract a large number of investors, it does not seem feasible to expect otherwise from the new project built in such proximity. Moreover, that goes for the whole range of support programs. Most of them have similar or identical goals, which means that new programs are being created without the old ones achieving their purpose. Overall,

despite the low impact of existing programs, there are no dramatic changes in their structure, only incremental ones. However, setting up and running each new government program takes resources, time and money nonetheless.

The third and last hypothesis expresses the opinion that government subsidies can improve the status quo only to a certain extent. In order to dramatically change the situation, it is necessary to create an overall favourable business climate, which requires use of integrated measures. This hypothesis was confirmed in the course of expert interviews. Respondents mentioned, that it is necessary to create infrastructure, influence the situation with young people leaving small towns, change public opinion on entrepreneurship and the entrepreneurial climate itself.

6 Conclusion

It is hard to underestimate the significance of small and medium enterprises for the development of economy and society as a whole. Developed and well-functioning SME sector leads to an increase in the share of the economically active population, creation of new jobs (including for socially vulnerable segments of the population), development and opening of new markets, potential innovation and much more. Small and medium enterprises are defined by the law and must adhere to strict criteria. Forms of state support and government policies on SME development are part of Russian Federation socio-economic policy, and consist of legal, political, social, consulting, economic, informational and other support measures. The main objective of this support is the promotion of SME development, creation of a favourable business environment, further development of the economy. The structure of the system of state support is vertically separated into federal, regional and municipal levels. The main direction, principles and forms of support are defined at the federal level. Regional level determines the order of execution of support policies, taking into account the characteristics of the local culture and economy, the specifics of the region. As for the municipal level, it is responsible for execution of programs in a specific municipality. Municipal level is closest to citizens and therefore the one with the most potential to establish strong communication with the population, as well as quickly and adequately respond to changes. In general, it is safe to say that there is no lack of forms of SME support in Russia. However, the efficiency and quality of these programs still do not meet the set standards and do not achieve the set goals. The

shortcomings of the programs include excessively strict criteria for support, poor quality of programmes, repetition of the same concepts, and so on. In order to improve the current status of the business climate government needs to approach the problem holistically. That is, not only financial but also other aspects of support shall be taken into consideration. Only a few factors, defining the development of entrepreneurship could be rated as positive by the author (i.e. tax regime). Otherwise, aspects such as the influence of foreign policy, the attitude of society towards entrepreneurship, the existing business culture, its ethics, protection of intellectual property are negatively influencing the sector and should be improved. One of the areas that definitely should get more attention from the governmental structures is provision of educational services. To date, only one of the existing programs is aimed at assisting entrepreneurs in preparing for exhibitions, presentations, etc. However, this program is can be used only by export oriented companies, thereby limiting access of domestic-market oriented companies to valuable knowledge. In addition, the involvement of youth and interest in entrepreneurship from the population should be further promoted. Moreover, the main focus of SME development at the moment lies on developing the sector and furthering the growth of companies. However, little attention is paid to the quality of entrepreneurship. For example, the number of women in top management positions is not so widely discussed in Russia, as in Europe. Also the leadership style used at the enterprises and the satisfaction of staff is often not taken into account when assessing the efficiency of SMEs. In addition, ways of conducting sustainable business, reducing the ecological footprint of enterprises (especially in the industrial sector) are not discussed widely nor on the agenda of the government.

All the above mentioned factors are also of great importance for the development of the sector, since they ensure that companies are beneficial for society in the long-term as well. All in all, although the development of entrepreneurship is not at the proper level, and progresses more slowly than planned, Russia has a great potential to improve the situation. However, this potential can be realised only if the development focus will shift from quantity to quality: transparent communication should be established between the state and the population, changing the attitude of society towards entrepreneurship, and taking initiative for sustainable industrial development.

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Translated transcription of conducted expert interviews

Interview with Speransky M.V.

A: Hello, please introduce yourself and shortly explain the scope of your business activities.

R: Speransky Maksim Vladimirovich. Area of activity: manufacturing of furniture for offices, schools, kindergartens, venues, educational institutions and so on. I believe we are the largest producer of that kind in the country. More than half of schools and kindergartens in the Republic [of Tatarstan] are equipped with our products. We furnished a lot of the Universiade objects, too. Geographical scope of my business covers the whole of Tatarstan. Concurrently serving as adviser to the Head of Nizhnekamsk municipal district regarding development of small and medium business.

A: When did you start your business?

R: In 1998, or maybe even the end of 1997

A: How would you characterize the registration process back then? Was it complicated or relatively easy?

R: Back then? It was 17 years ago! I don't remember, to be honest. Yeah it was fine I guess, and nowadays as well. Registering a business is not such a big problem. The issue is not the registration itself, but the process and regulations for conducting further business. In this respect, a lot of questions arise. These questions, however, are mostly of a national importance. The amount of tax, procedure of taxation, accounting... I think the whole system is arranged inefficiently. I would, of course, be happy if the VAT or income tax would be reduced. But I cannot change the Federal laws at my level. What can I realistically do? Well, we developed a program to boost the development of small and medium businesses by 2018. The main benefit of the program is the program itself. At last we got one, we did not have it before. Apart from that, infrastructure projects: for instance, construction of the municipal industrial park. It will attract investors or businesses that are waiting to start. Focus will lie on industrial production, so no trade or retail. We are hoping to subsidize some costs for the building of this industrial park with the help from the Federal budget. Unified management of the industrial park (i.e. security, maintenance, cleaning, etc.) reduces the costs for entrepreneurs, of course. What is more, if entrepreneur cannot build the necessary buildings on the industrial park territory himself, the managing company of the park will assist him in the process. Thereby we lower the barriers of entry for entrepreneurs, especially in the industrial sector. It is expensive to build, it costs a lot

of money. That's why the need this project to be implemented. We are now looking at available land. Sooner or later it will be implemented. The second point, a business development centre...

A: Sorry for interrupting, a quick question regarding another industrial site – why not use the one that is already built in Kamskie Polyany?

R: Why don't other companies use them?

A: Yes. For instance, why don't you become a resident there? After all, your products are distributed all over the Republic of Tatarstan, so place of production is not crucial.

R: And where do we find the staff in Kamskie Polyany? In my opinion, it's a stillborn idea. The main problem of Kamskie Polyany is that it is a private industrial site built by Nizhnekamsk Neftekhim [one of the largest petrochemical companies in Europe, producing synthetic rubbers and plastics]. The idea was to start manufacturing based on by-products and products of Nizhnekamsk Neftekhim. It's been around for almost 8 years now, if not longer. And how many residents do they have? Two or so? I mean, who would want to go there? First of all, there are no tax benefits. In general, such industrial sites compete against each other, and this one does not offer enough advantages. For instance, in special economic zone I can get reduction of income and land taxes... Here – nothing. Secondly, there is no workforce. The staff is incompetent. Petrochemical production barely survives there. They produce stretch-film and so on.. I will not become a resident there. For me it is too far away! [45 km]. Oil and petrochemicals could maybe profit there, but they need experts and specialists, and Kamskie Polyany has none. All educated experts live in Nizhnekamsk, no one will go there. We are now considering to maybe repurpose this area into an agricultural one. Install greenhouses, for example. Low-skilled staff is still able to water and harvest cucumbers. The territory is large enough as well – it is 10 hectares, I believe. There is heat and electric power, all necessary communication... I think it's doable. And what was done there before... well... no residents, not really successful.

A: You do not fear that the same could happen with the new infrastructure project? Why do you think it will be different this time around?

R: I think that as soon as industrial park will open, investors in the sector of low-tonnage chemistry will invest here. For two reasons: first of all, proximity to raw materials. Although it is not a requirement, I mean, they can also order raw materials elsewhere. iPlast, for example, uses raw materials of Nizhnekamsk Neftekhim in its production, but they also use raw materials imported from China! It seems illogical- Nizhnekamsk Neftekhim is just "around the corner", but price quality ration is better

with Chinese materials. And second factor, the most important one, is the staff. For instance, there are no specialists in the field of polymeric materials in... Elabuga [65 km away from Nizhnekams], for instance. There simply never was, and never, not in a hundred years will be. And here in Nizhnekamsk we have a dime a dozen chemists-technologists. But no base for investments. The investor is not a fool; he needs to clearly see how investing in this particular region will bring him benefits. Are there any tax reductions? Is there a ready-to-use infrastructure, available human resources? All these factors are important. The second issue we are currently working on is the business development centre. We have already gathered the necessary funding. The entrepreneurship development centre will bring together many structures involved with the businesses under one roof. For instance, representative offices of the chamber of Commerce, Association of small and medium-sized businesses, my office of adviser for development will be there as well, many other things... We have it all here in the town, but no one knows about it. The second point is the promotion of entrepreneur involvement in the governmental programs- For example, leasing grant. A representative of Ministry of Economics of Tatarstan is available here in town and she advises on these issues. But she is now sitting in her office, the rest sits in their office somewhere else. Everyone is scattered around the city, there is no overview. The centre aims to unite all these structures. That will make the communication easier, will serve as a starting point for entrepreneurs.

A: In what time frame are you planning to implement the project?

R: I don't know yet; I cannot say exactly. It does not depend on me. It depends on the construction companies, bureaucracy, on money... I mean, we are using government money for that. There are two projects which I consider as a priority. A third one is may be possible, if we can allocate the budget for that. It would be a good idea to subsidize bank loans interest rates. Roughly speaking, the bank gives you a loan at 16% per annum we subsidise you 10%. But the entrepreneur needs to prove the feasibility of his business with the business plan, etc. he needs to prove that he is able to survive in the market.

A: Production and manufacturing is one of prioritized industries. How much help did you get from the government as the owner of a manufacturing enterprise?

R: I applied for the leasing-grant, and it is absolutely easy and possible to receive. But it was so easy for my company probably because there is not a lot of competition on our level. There are a lot of agricultural firms, transport companies – too much competition. There are not so many manufacturing companies, on the other hand. It

is a whole different question, however, whether I need this grant or not. We rejected the last leasing grant that we received. Why? The rate increased to 25%. Leasing grant in a nutshell: you buy one million rubles worth of equipment, state subsidizes 50% of it. But it is subsidized through a leasing intermediary. The price of my equipment is tied to euro, for instance, and as the euro appreciated greatly, the rates skyrocketed... Ugh, it is just easier for me to buy this equipment on my own. In the end, leasing grant is just a loan, part of which is paid by the state... and it's not very interesting considering that euro continues to become stronger. We decided that it is not of utmost importance for us to upgrade equipment at the moment, we decided to wait for stabilization. Let's see when and if the euro will go down. But the most important project is creation of infrastructure. You cannot just create the atmosphere. First you need to build the base, and then invite businesses to participate. A good example of that is the first IT park in Kazan, who now works at 150% of its capacity, the second - Naberezhnye Chelny IT park. First the infrastructure was built, then the businesses followed. I think that in our case the unified centre will fulfil this function, especially the coworking space. This space will ease the communication, we will hold educational events there, entrepreneurs will gather there. Such project has great potential – it could be the centre of gravity, where people come together to work on their ideas. Therefore, I am for creation of infrastructure. And in addition, promoting already existing projects as well – almost no one knows about existing programs. Even about the leasing grant! Even though everything is in free access on the Internet. Those who are interested in it, they find it. But most of entrepreneurs are inactive. They want everything to be delivered to them. This is not good... but there are such people, and they need something help or push, and a centre will become such a push. And: Could you tell a little bit more about the selection process for the adviser on SME development position? Why do you think you are the best fit for the position?

R: Well, who chose the adviser? The Head of municipal formation. We know each other for 25 years already! He asked me to work for the administration as well. But I refused: I'm still a businessman, not a bureaucrat. You know, 80% of young people leave the town after completing school. It is important for the development that they remain here or return in the future. How can we achieve that? By creating quality living areas. Parks, gardens, bike roads, etc. If 80% goes – how can we speak about SME development? Who will do it? We must offer everything – high-quality leisure time, education, activities. Despite the fact that in Nizhnekamsk income per capita is 1.5 higher than in Naberezhnyye Chelny, the volume of trade is bigger in the latter. What

does this mean? We take money from Nizhnekamsk and spend it elsewhere. Therefore, it is necessary to promote development – shopping centres, cafes, etc. Only if we reverse the situation with young people will be develop the SME sector.

Interview with Aksenov Maksim Vladimirovich

A: Hello, please introduce yourself

R: Aksenov Maxim Vladimirovich

A: What is the nature of your business?

R: In the area of catering, I have a bakery chain in Tatarstan.

A: In what form you have registered your company, and why did you make this choice?

R: In the form of legal entity, because it is easier in every sense: property liability and taxes, etc.

A: How would you describe the process of registration, was it very difficult, or easy and did not require much effort?

R: Pff. It's not impossible, but not particularly easy. But I started my own company a while ago. Things could have changed since then.

A: How did you finance the opening of your business?

R: In a number of ways, from personal funds and a bank loan, I also had help from a private investor.

A: Did you apply for any kind of state support programs?

R: No, I did not contact the state structures. They are completely corrupted

A: But you are familiar with the existing programs?

R: No, not really. I have heard something about leasing grant, but cannot tell exactly what it is. But honestly, I cannot say I would rely on state for any support.

A: How would you rate the informational support from the state?

A: Also not great. As I said – I know of only of one or two programs. Otherwise – no idea. There is no adequate communication coming from the government

A: How would you describe the attitude of the society towards entrepreneurship?

R: The general mood is rather negative. It's getting better, but people do not trust the business sector.

A: What in your opinion hampers the development of SMEs?

R: Corruption in the first place. Many people have suffered from it and suffered, and suffer still. The system changes very slowly, it's too bureaucratic – dishonest officials have many possibilities for extortion. Next is of course, the almost complete absence of

entrepreneurial culture in Russia. All people want to stay in a safe comfort zone and get told what to do. They don't want to lead; they want to execute someone's orders. No one really knows how to conduct business; all this is new for us. Done at random, blindly.

A: do you use any simplified systems of taxation?

R: Yes, the simplified taxation on the imputed income

A: In general, how would you evaluate the process of doing business in Russia?

R: Doing business here is very difficult, I am always overcoming some sort of obstacles and fight, fight, fight. And why is unclear to me! In the end it would be better for my country if I succeed as entrepreneur.

A: What improvements of the business environment would you personally like to see?

R: More support from the state, not only on paper, but real, tangible help. A kind of help I would not regret asking for.

Interview with Zakirova Anastasia Anatolyevna

A: Good afternoon, please introduce yourself

R: Zakirova Anastasia Anatolyevna.

A: In what area do you conduct your business?

R: In the field of advertising and marketing, I have my own agency.

A: What form of organization does your business have, and why you chose it?

R: My company is registered as a legal entity. I chose this organizational form for the convenience of working with large companies, my clients.

A: How would you describe the process of registering a business, was it easy or hard?

R: Somewhere in between. It's not as difficult as many imagine, but it's not done so fast either. It is necessary to collect the documents and check their correctness, make sure they are all in correct form and order.

A: How did you finance your business?

R: From personal funds.

A: Have you applied for state support? Informational or financial?

R: No, I never applied for support and know little about existing programs. Only about the possible tax benefits. I believe that tax benefits are the most effective form of support.

A: How would you assess the current status of state support of small and medium enterprise?

R: Government support is on an extremely low level; entrepreneurs cannot rely on the state.

A: And how would you describe society's attitude towards entrepreneurship?

R: You know my parents grew up in Soviet Union, and me as well. So in comparison to those times, it is not bad at all. But still, it is widely believed, that an entrepreneur is taking advantage of other people, deceives them.

A: What, in your opinion, is hampering the development of SME sector the most?

R: The system of taxation definitely. And corruption in the country, everyone knows about it, no one does something against it. And the interest in entrepreneurship is not high – it is not customary to stand out of the crowd.

A: Do you use simplified systems of taxation for your business?

R: Yes, of course. Simplified tax system for income tax.

A: in General, how would you describe the process of running own business in Russia?

R: somewhere in the middle. It's not easy, of course, but it is definitely not impossible. I don't think running a business is an easy task, regardless of where in the world.

A: What improvements in the state system would you like to see personally?

R: More tax incentives in the early years of development for young enterprises.

Interview with Dolotkazina Elvira Ravgatovna

A: Good afternoon, please introduce yourself and state your position

R: Dolotkazina Elvira Ravgatovna. I am Deputy Head of the municipal formation of Nizhnekamsk. My responsibilities include working with deputies, that is, with representative body of local self-government. We have 44 deputies in the municipal district of Council. I organize and contribute to their parliamentary activities. Major part of my responsibilities has not a lot to do with business sector. However, some important decisions regarding SMEs are made by deputies. In particular, the recent decisions that we have adopted are tax benefits for SMEs. In my opinion, SME sector is underdeveloped in Nizhnekamsk, mainly due to the fact that we have stable work opportunities thanks to Nizhnekamsk Neftekhim. Active young people are seeking to work in this enterprise, because there is good social security, very high wages, and it is stable. Therefore, the urge to open up a company is not so strong. However, what we can observe in the last few years is the rise of the middle management class. They save up money, and when they have enough they try to invest in a business. A decade ago, they would buy real estate, apartments or houses, now they are re-orienting themselves. For example, I know a few people who are conducting their business in

catering: restaurants, cafes, etc. It is more of a side job for them, but why not? They do not want to put all eggs in the same basket, that is a smart decision. I think that's a good development, as it contributes to the increase in the number of jobs, and recreational activities. I mean, it is true that our neighbour city Naberezhnye Chelny has a higher rate of SME development. But have you wondered why? There was a fire at the engine plant KAMAZ 10-15 years ago. Production stopped, many people remained without work. And that is why they started opening up their own businesses. The crash of the plant served as a turning point for SME development there. We did not have such a breaking point in Nizhnekamsk. But there is development nonetheless. Industrial site Kamskie Polyany, for instance, is home to a manufacturer of stretch-film. Their production, in my opinion, is able to take up 60% of the Russian market. There is also another company there, which produces multifilament yarn to make carpeting, and so on. It does not sound like a lot, and we, as government, realise that we need to further develop the sector. We are already on the right way, I think. The Council has been created to addresses pressing issues; we want to create a Centre for Entrepreneurship... We have allocated space, there is available funding. When it is ready, it will offer a lot to entrepreneurs. Consulting services, co-working area, and much more.

A: There is already one Centre of Support and development of small and medium enterprises in Nizhnekamsk. Do you cooperate with them?

R: In our country there are a few such structures. Agency for enterprise development, chamber of Commerce. They are scattered among themselves, and opening their branches in different cities. But they can come to us if they wish and we will. But I think I believe that there is a lack of such structures. Businesses have always somehow managed without it. We need to change that. There is also an industrial park planned, the municipality has already allocated the area for it. That is, we are taking steps in the right direction. Maybe not with the speed with which we would like, but the process is moving forward.

A: Do you think the population is interested in entrepreneurship?

R: In my opinion, the majority people working at the enterprises on a 9to 5 job are not interested. I do not think that a worker at a plant will come up with an idea for his own business. Or even if he does, he will most likely not succeed. He has no initiative, he is used to obeying, to not making his own decisions. But that is fine. New businesses need to employ someone as well.

Interview with Bagautdinova Tanzilya Nurmuhametovna

A: Hello, please introduce yourself and state your position

R: Bagautdinova Tanzilya Nurmuhametovna, Senior specialist of Department of economic forecasting and transport of Executive Committee of Nizhnekamsk municipal district. Oh but really, I don't have much time. There is so much workload, let's make this quick, ok?

A: No problem, I have only a few questions. How is your department helping the development of SMEs?

R: To be honest, it does not really. I mean, we are officially responsible for it, there is even a plan for 2014-2017 that we are supposed to follow, but no work is done in that direction.

A: Really, and how so?

R: First of all, too much work. I barely could find 5 minutes to talk to you, what can I say about a whole new plan we are supposed to fulfil? We don't have enough workforce as well. It's just me and my colleague, we are still looking for someone to fill in the Head of the Department position. And the most important factor: I receive 10 thousand rubles [roughly 157 euro] monthly, do you think I will do extra hours for such low wage?

A: So the Department is not involved in any way?

R: Well, yeah, there are some steps. We allocate the land for industrial sites construction and keep in touch with the centre of small business support. Your last question?

A: What, in your opinion, hampers development of SMEs in the region?

R: Mentality of our citizens. They are lazy and inactive. And the fact they can find a job elsewhere – it is safer that way.

Interview with Salimgaraeva Elvira Vladimirovna

A: Hello, please introduce yourself and describe your position

R: Salimgaraeva Elvira Vladimirovna, I work in Centre for development of SMEs in the city of Nizhnekamsk

A: Can you explain what are the functions of the centre?

R: The centre was created on the initiative of Ministry of the Economy of Republic of Tatarstan. Later, Fund of financial development has joined the project. The centre provides support to entrepreneurs from Nizhnekamsk, Zainsk, Mamadysh.

A: What kind of support services do you offer?

R: Support for legal queries, accounting, information consultation. We help with grant applications, consult regarding the existing government grants, assist entrepreneurs in obtaining them. We control how these grants are being implemented as well. We also conduct free seminars, and conduct audits, including reports and credit ratings.

A: Do you equally support all entrepreneurs, or do you have prioritized industries?

R: Of course we would love to help everyone. But there is not enough time, so we have to prioritize. Our main industries include agriculture, industry, communications, freight and passenger transport. Unfortunately, we are not able to provide support for companies working in the service sector.