

Faculty of International Management and
Business

MA/MSc in International Economy and Business

Internationalization of small and medium-sized firms in Russia.

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Abstract

This article examines the internalization of small and medium-sized firms in Russia, as well as the main obstacles and problems for Russian firms. The article examined various theoretical approaches and concepts underlying the internationalization of firms. It is also necessary to note the current economic situation in Russia, as well as its impact and consequences for firms. In this paper, we also considered state support for small and medium-sized firms, which includes: tax incentives, financial support, technological aspects, etc. In this paper, we also examined how small and medium-sized firms are developing by regions and regions of the Russian Federation, and which regions differ from each other, in terms of area and industries in small and medium-sized businesses.

We also examined the consequences of the first sanctions against Russia, as well as the recent war between Russia and Ukraine, as well as how this war and how the consequences of large-scale sanctions hit the economy and, in general, small and medium-sized firms, and what measures the Government of the Russian Federation took support for small and medium businesses

The main goal of this study was to identify all methods and possible ways for the internalization of firms, to consider the current situation firms and future prospects to accelerate this process.

Introduction

Relevance of the research topic. In nowadays, internationalization has turned a important development way for small and medium-sized firms. For many years, big firms were formerly thought to be the key participants on the global arena, but today no any company can escape from the trend of globalization and worldwide competition. Because of technological advancements and the rise of worldwide economic links, small businesses may now implement an internationalization plan, beginning operations overseas and expanding their activities outside the national market. The owners of small and medium-sized enterprises are interested in this because of the huge benefits that internationalization may provide, but they must overcome considerable difficulties in the process of adopting it.

The issue of internationalization of small and medium-sized firms is especially pertinent for Russia, which is now undertaking a large-scale effort of renovating and diversifying its economy to minimize reliance on natural resource exports, as well as current economic sanctions adopted by international organizations and European countries, which are also affected to small and medium firms. Russia, along with many other rising economies, is undergoing enormous transitions, many of which are tied to changes in the institutional framework. Each country's institutional environment is distinct. It establishes rules that impact the evolution of business and the conduct of businesses, controlling their interaction and defining the atmosphere in which managerial choices are made. It is considered that in the economies of emerging economies, the institutional environment plays a distinctive role in terms of the pace and dynamism of the changes happening, which may have unforeseeable commercial implications.

Despite considerable theoretical advances in international and strategic management, there is no theoretical foundation or approach for managing the internationalization strategy of small and medium-sized enterprises in the literature. There is, in particular, a lack of awareness of the idiosyncrasies of the national institutional context and the aspects that may be critical in making managerial decisions concerning internationalization.

Also in this thesis work, we will not consider the current conflict between Russia and Ukraine, since the consequences of this conflict will only decrease opportunities for internalization of SMEs in Russia

Purpose and objectives of the study. The dissertation work's goal is to provide theoretical support for and examine the influence of the national institutional environment on managerial decisions concerning internationalization in Russian small and medium-sized firms.

To accomplish this aim, the following things must be completed:

- 1) Identify factors of small and medium-sized firms internationalization; evaluate changes in the field of research on small and medium-sized firms internationalization; classify components influencing their internationalization;

- 2) Justify the use of the institutional approach in the study of the internationalization of Russian small and medium-sized firms; identify the characteristics of the institutional environment study that must be considered when studying the internationalization of small and medium-sized firms;
- 3) Create a conceptual model that considers the impact of national institutional environment elements on managerial decision-making on internationalization in SMEs, and generate research hypotheses.
- 4) To identify the impacts of structural and institutional environment elements on the adoption of management internationalization choices in Russian small and medium-sized firms.

The theoretical and methodological basis of the research are the works of top foreign and Russian scientists devoted to themes of internationalization, the challenges of expanding small and medium-sized firms, and the application of the institutional approach. The study employed general scientific cognition approaches such as logical-theoretical analysis based on the deductive method; system analysis utilizing decomposition and synthesis; and scientific abstraction and analogies. Methods of statistical and economic analysis were applied as part of the quantitative analysis.

The theoretical explanation and evaluation of the model that represents the mechanism of the influence of the national institutional environment on management options for internationalization in Russian small and medium-sized companies is the scientific originality of the dissertation work.

The research's theoretical and practical relevance. The study's findings and the author's approach to analyzing the impact of the institutional environment on the internationalization of Russian small and medium-sized firms can be applied to further research into the role of the institutional environment and problems associated with the development of international operations. Small and medium-sized enterprises in Russia Furthermore, the suggested theoretical model may be evaluated using the examples of other emerging nations.

The report will be of interest to consulting firms and managers of Russian small and medium-sized enterprises that are evaluating the chances for executing an internationalization plan. Furthermore, the proposed model of the influence of national institutional environment factors on the internationalization of small and medium-sized firms may be of interest in the context of the development and to support SMEs.

CHAPTER 1. THEORETICAL CONCEPTS OF THE INTERNATIONALIZATION OF THE BUSINESS OF SMALL AND MEDIUM FIRMS

For a long time, the major subjects of research in the scope of internationalization research were giant corporations that operate on a worldwide scale and have a considerable influence on the growth of the global economy, whereas small and medium enterprises drew less attention. In today's world, no one can ignore global trends, and for many, this is the case.

1.1. Aspects of small and medium-sized firms internationalization

Historically, the main focus of internationalization research has been on large, global enterprises that have a significant impact on economic growth around the world, while small and medium-sized firms have received relatively little attention. Every firm, regardless of size, has grasped the opportunity to participate in global trends in today's globe. Internationalization as an expansion strategy is a key step for small and medium-sized enterprises. Now that they're faced with this dilemma, managers must carefully consider all the factors that could influence how internationalization will be implemented.

Internationalization, according to macroeconomic researchers, is "the process of establishing stable economic relations between nations (mostly through the international division of labor)." [Persky and Novikova, 2012, p. 37–38]. The state is playing essential role, because it is at the top level that policy is developed regarding how precisely the country should cooperate in this process, what efforts should be taken to boost company competition, and whether it is worthwhile to impose restrictions on existing activities. However, from a microeconomic perspective, internationalization is the process by which a corporation "begin[s] to examine the primary and secondary impact of foreign activities on its future" and "establishes linkages and conducts transactions with rest nations" [Persky, Novikova, 2012, 38]. Internationalization, according to study, has two components: first, firms increase their awareness of the direct and indirect impact of foreign operations on their operations, and second, enterprises develop and operate in other countries. (1990) [Beamish].

Businesses are interested in international operations for a variety of reasons: they may want to make more money, get more information, find new partners, or keep and enhance their competitive advantage. If you want to make your business more successful, you need to expand it to other countries, and this is called internationalization. In theory, there is still no single way to figure out how big and small the area of small and medium-sized businesses should be. It should be noted that such quantitative criteria are not applied in all countries, and that they are not universally accepted. Small and medium-sized enterprises (SME) are defined differently in different countries. Table 1.1 outlines the primary requirements for designating companies as SME in Russia, EU countries (according to the Commission of the European Union's definition), the United States, and China. Should be noted that Russian standards are similar to those developed for European corporations in the United States. Although the criteria for attribution to the sector of small and medium-sized enterprises used in the United States and China differ slightly and are more tied to industry characteristics, the number of employees and revenue generated by small and medium-sized enterprises vary significantly across organizations in both countries

Table 1.1 *Criteria for categorizing entities as small and medium-sized businesses in different countries*

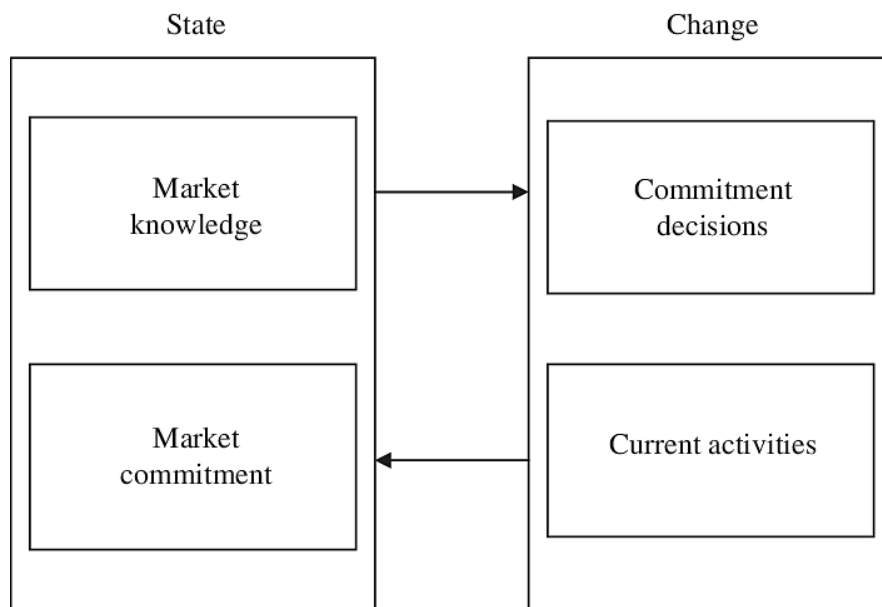
The countries	Small firms		Medium firms	
	Number of employees	Revenue	Number of employees	Revenue
Russia	No more than 100 (micro-firms - no more than 15)	No more than 400 million rubles (micro-firms - up to 60 million rubles)	From 101 up to 250	No more than 1000 million rubles
EU Countries	No more than 49 (micro-firms -up to 10)	No more than 10 million euro (micro-firms - up to 2 million euros)	From 50 up to 250	No more than 50 million euro
USA	Varies by industry; as a rule, it does not exceed 500 people, but in some branches, it reaches 1500 people; revenue in the range from 0.75 to 38.5 million dollars.			
China	Depends on industries; in average, 100-600	No more than 30 million yuan	Depends on industries; range from 100 up to 3000	From 30 to 300 million yuan

Source: compiled by the author using data from [FZ No. 209 dated 24.07.07; Decree of the Government of the Russian Federation No. 101 dated February 9, 2013; European Commission Recommendation, 2003; Liu, 2008; U.S. Small Business Administration, 2014]

1.2. The Uppsala internationalization Process Model

Analysis on the company internationalization process is centered on the U-Model, which originates from a Nordic school called the incremental school, according to Mitgwe (2006). When Johansson and Wiedersheim-Paul (1975) studied four Swedish companies, they discovered that when organizations internationalize, they proceed in a series of incremental phases that they referred to as the "establishment chain" or "step by step." The concept was improved and formalized by Johansson and Vahlne in 2002. Market knowledge and commitment, as well as commitment decisions and present actions, are the four factors that enterprises should consider when expanding their operations overseas. These are separated into the following steps and totally change phases that cooperate with one another in what seems to be a circle.

Figure 1.1. Uppsala model (Johanson & Vahlne 2002)

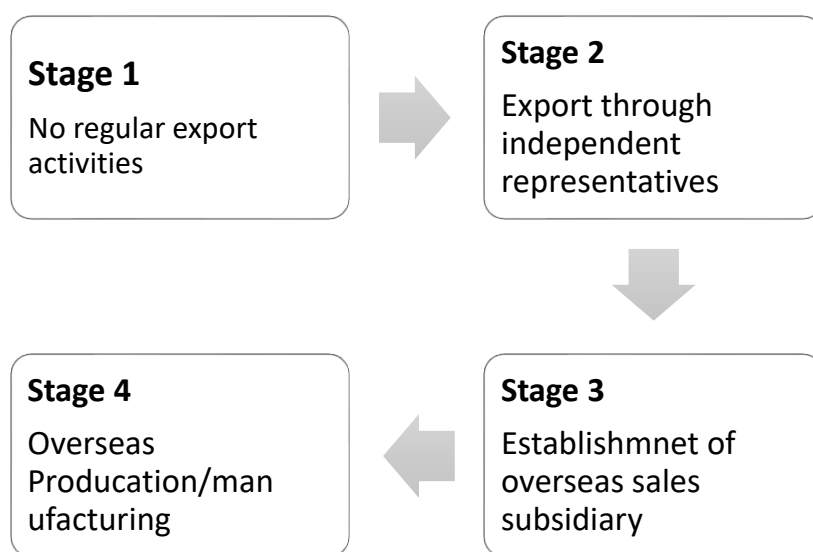


The fundamental principle of the Uppsala Model is that marketing research and market commitment have an impact on both commitment selections and the way current decisions are performed—and that this, in turn, has an impact on market knowledge and market commitment. If a company has a large number of resources committed to overseas markets, it can get a lot of knowledge about the markets and operations there, and vice versa (Johanson & Vahlne, 2002). It also implies that businesses should start the internationalization process in markets where there is less psychic barrier between them. Factors such as variations in language, culture, political systems, and other factors that interfere with the flow of information between a company and the market are referred to as psychological distance (Johanson & Wiedersheim-Paul 1975, p. 308).

1.2.1 Critics to the Uppsala model

On both theoretical and operational levels, the Uppsala-model has been roundly criticized from the start and continues to be so (Mitgwe, 2006). Some researchers have found it to be incorrect in some circumstances, while others have accepted it with adjustments in other cases. The model's applicability, merits, and drawbacks have all been investigated by researchers in a variety of studies. The model has been critiqued from a variety of perspectives, and a number of empirical studies have called into question several of its fundamental assumptions (Andersen, 1993). As argued by Andersen (1993), the model's most significant flaw is that it provides no explanation for why or how the process begins, nor does it reveal the nature of the mechanism by which knowledge influences commitment. The Figure is explained in two ways in the figure: the development in a given country is explained as the 4 phases that enterprises must undergo, and the development throughout countries explains the importance of psychic interval and the selection of recent market opportunities.

Figure 1.2. Operational levels, adaptation from the theory (Andersen 1993)



Businesses that get in a new market with growing psychic distance, according to the development across countries, will succeed. This interval between a home market and a exterior market is characterized as the outcome of the perception, learning, and understanding of business differences between the two markets in question. When it comes to language, culture, political systems, and other factors, Johanson and Wiedersheim-Paul (1975) described it as the distinctions that make it troublesome or simple for a company to join a new market. Because of the increasing market-specific information, it is expected that the psychological distance will diminish once a firm has determined where it wants to go. In the event that knowledge may be transferred from one country to another, firms with considerable international qualifications are more likely than enterprises with little international experience to regard the psychic distance to a new country as less. Some critics are concerned with the theoretical components of the work, while others are concerned with

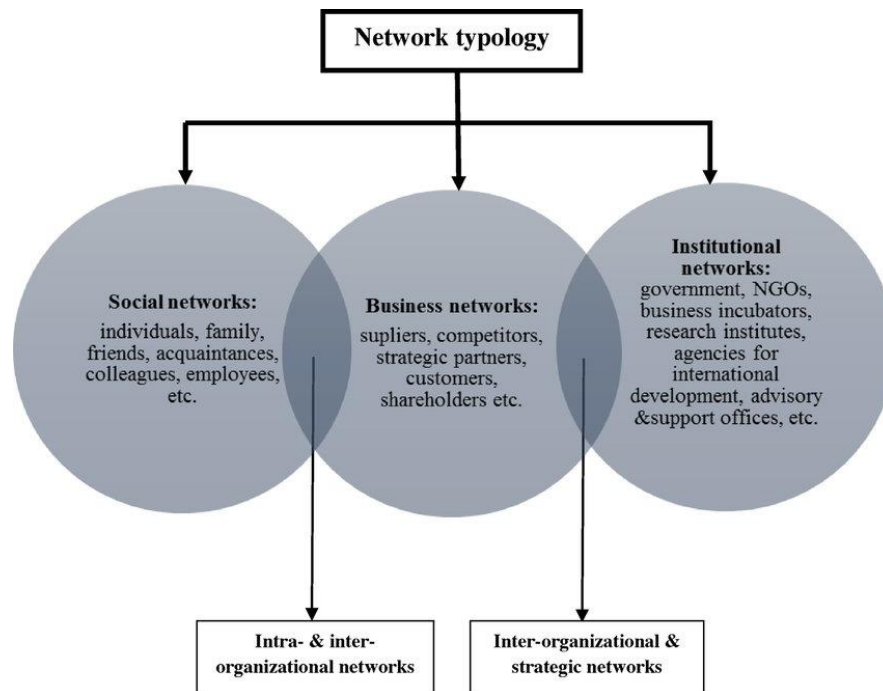
its practical applications. Based on this core rationale, corporations internationalizing go through four steps of growing commitment to international activities, each one following the other, as they progress through the model. Andersen (1993) attacks the stages on the grounds that they are mostly devoid of an explanation of the mechanisms that guide the company through them. Sullivan and Bauerschmidt (1990) came to the conclusion that the incremental internationalization hypothesis was not supported by the empirical evidence after examining it. Based on the research conducted by Hollendsen (2001), the Uppsala model fails to grasp the significance of interdependencies across various markets and individuals that must be taken into review. He thinks a company to be more internationalized if it recognizes and deals with diverse markets and actors as interdependent rather than as wholly individual entities, according to him. As noted by Andersen (1993) the model exhibited a lack of explanatory power as well as an inconsistency between the theoretical and practical levels (figure 1.2.), and they expressed surprise that the model had received such enthusiastic acceptance in the vast majority of literature. Understanding the function of people who are involved in overseas operations, as well as their environment, is extremely important; knowledge is the most important point to review at initial stage of the process of internationalization. Forsgren (2002) explores how the process of learning is conceived in the model as described by Forsgren. The U-model was developed in response to the observation that a lack of understanding of foreign markets is the first hurdle to achieving internationalization. The U-model places a strong emphasis on experiential learning, which is defined as personal experience that might arise from one's daily actions. One method of gaining knowledge is through participation in market activities, which provide information on the present state of the market. Stage by stage, the process can be viewed as a learning process in which the firm gains knowledge through experience. Increased knowledge equates to decreased uncertainty.

Subjective learning and objective learning are two types of learning discussed by the authors of the U-model, according to their research. When it comes to objective learning, the one that is taught is different from the one that is acquired by experience. Experiential learning, according to Forsgren (2002), has an impact on the behavior of a company, but it must first be understood and comprehended. This presents a dilemma because there is no clear definition of the individual's function. A significant part of the way the model is supposed to function appears to be determined by the individual. Those people are the ones who have a thorough understanding of the market. After a decade of research, Johanson and Vahlne combined the Uppsala Model's experiential learning-commitment interplay as the driving mechanism with a similar experiential learning-commitment interplay focusing on business network relationships to create a new driving mechanism for the Uppsala Model.

1.3. Network Theory of SME

Taking into account that networking also playing an important role in the internalization of SMEs. Networks seem to have been a key success factor and a good way to help small businesses go global more quickly because they give them access to more information (Zamberi Ahmad, 2014). They also give small businesses more chances to be successful when they go global. Managers must look at the possibilities for internationalization and the networks for resources, according to Chetty(2000). They also say that managers should know that their businesses are not isolated from the rest of the world but interact with other businesses in this world. Meanwhile, small businesses should get help from government policies, be able to come up with new ideas, and build relationships with important networkers in order to be successful when they go international. If a company has a lot of different types of networks, it can go global very quickly. This is according to the study by Chetty and Stangl (2010). As small businesses grow, there are more chances for them to work with other businesses and get the best resources and capitals. Sociological networks look at how political, technological, and cultural factors can affect businesses on both a personal and a group level (Slotte–Kock & Coviello, 2010). It gives ways to look at the structures of all the people in society and different theories to explain how these structures look in different ways. Studies about social networks usually look at things like how important social ties are for job-hunting and career development (Slotte–Kock, 2010) or how important they are for people to stay in touch. Social networks, on the other hand, usually look at the interactions between businesses at the market level from an economics point of view. In the Figure 1.2 we can see the typology of SME:

Figure 1.3. A network typology of SME (Gospel Oparaocha)



Source: Article of International Business Review (Gospel Oparaocha)

According to Granovetter (1985), economic and business actions take place in the context of a social situation. It blends the concepts of social capital and social exchange with the concept of economic exchange to create a new concept. Business networks are those that are focused on the connections between companies and can be referred to as business networking (Slotte-Kock & Covellio, 2009). Vendors, third-party developers, clients, and others who participate actively are encouraged to do so by the company. Based on the aims of different participants in the network, Westerlund, Rajala, and Leminen (2008) categorize international networks into two types: vertical value nets and horizontal value nets (Westerlund, Rajala, and Leminen 2008). Vertical networks, which are collaborative partnerships between a central firm and its upstream and downstream suppliers, are intended to facilitate the efficient manufacturing of goods and the investigation of commercial opportunities. Achrol (1997) distinguishes between two types of networks that reflect a sort of vertical integration amongst the participating firms: (1) intermarket networks and (2) possibility networks. Intermarket networks are networks that connect two or more markets.

McDougall and Oviatt (1994) concentrate on a specific form of newly established firm that is multinational from the very beginning, referred to as International New Ventures (INVs). In their definition, INVs are "business entities that, from the outset, strive to extract considerable competitive advantage from the usage of resources and the sale of products in a number of different nations" (McDougall & Oviatt, 1994, p. 49). A variety of factors, including new economic conditions, technical breakthroughs, the competencies of the management team and/or entrepreneurs, and also worldwide network links, all contribute to a company's ability to expand internationally from the beginning. INVs are the outcome of a managerial team's or an entrepreneur's international awareness of the worldwide business environment, as well as their ability to link resources from other countries to satisfy the demands of markets that are essentially international (Coviello & Munro, 1992). Companies that have innovative goods and services, as well as a competitive advantage over their competitors, assist SMEs in achieving internationalization from the beginning of their operations. This occurs when the market has a requirement for that particular unique product or service in that particular overseas market at the time. Knight and Cavusgil provide another explanation of INVs, sometimes known as born globals (1996). He asserted that these are tiny businesses that try to gain a competitive advantage through technological innovation and that have operated in several foreign marketplaces since their founding, if not before their inception.

1.4. International Entrepreneurship Theory (IET)

"International entrepreneurship" was first used in 1988 by Morrow, according to Zahra and George (2002). Small businesses, new initiatives, and existing corporations alike can now access previously out-of-reach overseas markets thanks to technological improvements, lowered cultural barriers, and rising cultural awareness, according to Morrow (1988). Following that, McDougall's (1989) empirical study comparing domestic and international new businesses cleared the road for academic study of international entrepreneurship (McDougall & Oviatt, 2005, p. 537). International entrepreneurship is the study of cross-border entrepreneurial behavior that concentrates on how actors identify, implement, assess, and utilize chances in the production of new commodities or services. They defined international entrepreneurship in 2000, p. 903, as "a combination of inventive, proactive, and risk-taking conduct that crosses national borders and is meant to create value in enterprises" (McDougall and Oviatt, 2000). As far as established definitions go, this is a good one to start with. After that, they adopted a broader definition of entrepreneurship, which they defined as the discovery, implementation, evaluation, and exploitation of opportunities beyond national lines to generate future commodities and services (McDougall & Oviatt, 2005).

"Theory of international entrepreneurship claims that entrance into overseas markets is based on entrepreneurial behavior by individuals and firms alike" (Mtigwe, 2006, p. 16). SME exports have been supported by technological advances, low-cost and quick methods to obtain information, and improved communication between nations. Internationalization of small and medium-sized enterprises (SMEs) is happening much more quickly than it did in the past. Stevenson and Jarillo (1990, p. 23) provide a variant of McDougall and Oviatt's (1994) definition of entrepreneurship, defining it as "a brave managerial creation of value in which an individual engages in innovative, proactive, calculated risk-taking behavior in pursuit of foreign business possibilities offered by multinational market successes and imperfections for financial and non-financial rewards."

Researchers and academics have shown a significant interest in the field of international entrepreneurship. As mentioned by the International Entrepreneurs' Forum (IET), today's entrepreneurs are essential in the process of globalization. In addition to having the necessary skills and information to assess market prospects, he also has the capacity to establish and maintain strong working relationships with other businesses, suppliers and customers, as well as with the government and the press. A person who possesses both subjective and objective knowledge may be referred to as "he." A risk taker, he is also capable of allocating resources in a cost-effective manner in order to attain competitive advantage. According to international entrepreneurship theory, an entrepreneur must be proactive in seeking out opportunities and have international experience in order to capitalize on those opportunities in the market and be willing to commit to them through entrepreneurial activities that would be translated as business advantages. International new ventures (INVs) are an important component of the conversation regarding international entrepreneurship theory since they are intimately tied to one another; we have previously examined INVs and the issues they pose to the U-model.

1.5. Institutional approach to the study of internationalization of SMEs

The institutional approach has been actively developed in the field of organization theory, and it's becoming more and more popular with researchers. There are two types of approaches to studying institutions: economic and sociological. The economic approach is based on the theory of institutional economics [North, 1990], and the sociological approach is based on the theory of neo-institutional organizational theory [DiMaggio, Powell, 1983; Meyer and Rowan 1977; Scott, 2001]. This means that both directions are looking into how the institutional environment affects the firm's strategy, but they are based on very different theories of how this works. A company's economic direction is more concerned with making sure that there is a good institutional environment, such as public policy and regulation. A company's sociological direction is more concerned with how it behaves because of the pressure of "isomorphism," which comes from shared norms and values in its environment for the company itself. People like Li and Ding (2013) use a certain way to study this. In the author's opinion, both economic and sociological approaches work well together to help us better understand small and medium-sized businesses' strategies for going global. The economic approach lets us look at the country's chosen policy, legislative system, mechanisms of control, and regulation, and the sociological approach lets us better understand the behavior of businesses, which can be driven by many institutional feats.

According to the institutional approach, institutions are meant to diminish uncertainty in the environment, establish order, and set the rules for how economic activity should be done. [Shastitko, 1999]. It's common for people to think of institutions in two ways: formal (laws) and informal (traditions and norms of behavior) [North, 1990]. These institutions are rules of behavior that are backed up by coercive mechanisms that make people want to follow them. There are rules and regulations in a country's economic and legal system that are written down or approved by the country's government. These rules and regulations make up the formal institutions. These regulations are set up and enforced by the state through the use of the legal system, which is a way to make rules that can be enforced through the courts. Informal institutions are things like traditions, social norms, and unwritten rules of behavior. They have been shaped by history, and they stay that way through a variety of learning mechanisms (for example, knowledge of what is "accepted" in society can be transmitted from parents)

The link between formal and informal institutions and the internationalization of small and medium-sized firms is both theoretically and practically interesting. To begin, this is because formal institutions are more easily and quickly changed than informal ones. As D. North notes in his book, "formal regulations are subject to change overnight as a consequence of political and judicial judgments, while informal constraints represented in conventions, traditions, and codes of behavior are far more immune to purposeful politics" [North, 1990, 6].

Another significant characteristic is mentioned in the current literature. When formal institutions become effectless, firms may resort to informal rules, as it is more beneficial to make informal contracts than to attempt to build a business according to formal rules [Pejovich, 1999], which can also result in the growth of corruption and the emergence of a shadow economy. economics [Tonoyan et al., 2010; Baumol, 1990]. This tendency is connected with the emergence of institutional gaps in developing nations [Khanna, Palepu,

1997]. The concept of institutional "voids" refers to the fact that the institutional boundaries of firms' economic activity are not well defined, and doing business entails a plethora of bureaucratic procedures caused by existing "gaps" in legislation and the institutional environment's overall functioning [Schramm, 2004].

However, any illegal activity, even if it saves money for the company, harms society as a whole and puts the rule of law in question, which makes it hard to make long-term changes in the country. In his work, J. Tovstiga said that when informal institutions work with formal ones, they can either help or replace them [Tovstiga et al., 2004]. When informal institutions are added, they help formal rules be more effective. When formal institutions are replaced by informal ones, they encourage behavior that doesn't follow the rules. If there aren't enough formal institutions, government structures aren't well-developed, or people don't respect the "letter of the law," this can happen. Thus, the influence of the institutional environment isn't clear, and this field of study is very complicated and multifaceted.

If the above-mentioned duties are carried out, it may be considered that the institutional environment has reached a sufficiently advanced stage of development and that its contact with the business community has been determined to be successful. However, the institutional environment in many developing markets is considered unfavorable since it is undergoing development and is very unstable. In the national institutional context, a business is created and develops in the same way as a person does. Countries with emerging economies are still suitable to refer to a transitional stage, which is shown in the desire to fully integrate into a market economy after a period of stagnation.

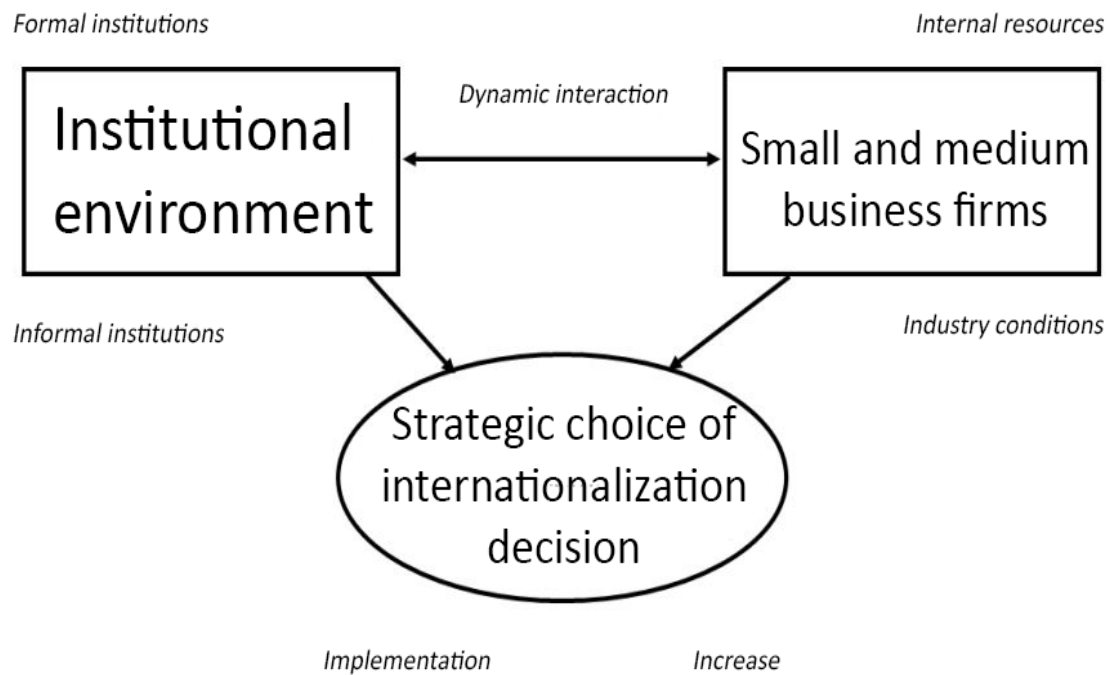
It is necessary to understand the function of subjective perception of the surrounding reality while examining the institutional environment. On the one hand, we might assert that the external environment - and by extension, the institutional environment - is an objective fact that is universal. However, we may assert that a "objective environment" does not exist in nature, since its perception is contingent on external information flows that the firm "sees," or, more accurately, the person engaged in decision-making [Santos-Alvarez, Garcia-Merino, 2010]. An person is incapable of seeing all of the information that flows around him, since perception is constrained by a variety of variables.

Numerous research have examined how perception impacts behavior and how this behavior is developed [Duncan, 1972; Lawrence and Lorsch, 1967]. The growth of a business and its worldwide operations is highly dependent on the individual traits and perspectives of its decision makers [Shaw, Darroh, 2004; Sommer, 2010]. Since a result, it is critical to understand their perceptions of the institutional environment and the impediments or possibilities that exist within it, as it is their attitudes and preferences that influence the choice to start, maintain, or expand foreign operations. Thus, it is critical to consider the function of subjective perception, since it significantly influences the path of a company's strategic growth.

At the moment, it is impossible to determine the precise impact of the national institutional framework on small and medium-sized firms' internationalization. The answer to this issue is critical, particularly in developing countries, where reality is fast changing and enterprises must be adaptable in order to capitalize on rising prospects for profit or merely to maintain current levels of business. Existing research on these nations' experiences are difficult to generalize or extrapolate to other situations, since each country has its own distinct background, which changes swiftly during a period of "transition." Thus, the institutional

approach enables the analysis of the dynamic interaction between institutions and enterprises, while also taking into account the strategic choices that come from this interaction [Peng, 2003]. For the purposes of this research, a strategic option is defined as management's decision to internationalize—whether by establishing, continuing, or expanding international activities, as indicated by a rise in the degree of internationalization. In other words, a firm's internationalization strategy is not only driven by industry circumstances and the availability of sufficient internal resources. Choice is also influenced by the formal and informal institutions that provide a particular institutional framework in which enterprises operate and that managers take into consideration when making strategic choices. Traditionally, the strategic choice model is shown in Figure 1.5, in which internationalization is seen as a firm's reaction to environmental incentives and obstacles that contribute to or obstruct the decision to internationalize.

Figure 1.4. Strategic Choice Model



Source: Jocumsen (2002)

CHAPTER 2. METHODOLOGY

This research paper aims to explain, based on data and studies in the field of internationalization of small and medium-sized businesses, the characteristics of these businesses and their difference, as well as the unique role of the entrepreneur-manager in making decisions. The dynamics of the development of the small and medium-sized business sector was also looked at. In Russia, these businesses were able to show that going international was a good thing for them.

At the beginning of the research is discussed about Uppsala method and other theoretical approaches of internalization of SMEs, which include the impacts on market knowledge and market commitment, at the same time there were included negative impacts of the Uppsala method in case of studying SMEs. Also we analyzed the networking approach, taking into consideration the importance of networking in role of the internalization of small and medium-sized enterprises. The networks have been a crucial success element, and they are a fantastic approach to assist small firms in expanding their operations internationally more quickly since they provide them with access to more information.

We will also analyze and consider the main statistical data of small and medium-sized businesses in Russia, as well as consider measures to support and encourage the state for the development of small and medium-sized businesses. In the thesis topic we will consider the post-pandemic period for medium-sized small businesses, derive the main methods and ways to fight and overcome all the difficulties associated with the pandemic, and also identify the most important problems faced by small and medium-sized businesses in the Russian Federation

Then, we will also go through the economic sanctions against Russia, in 2014 which have had a very strong impact and still have an adverse effect on the Russian economy, and also will provide existing results of recent economic sanctions, related to war between Russia and Ukraine, including, including the main figures on how these sanctions affected small and medium-sized firms in Russia and also how it will affect this industry and the sphere in the future.

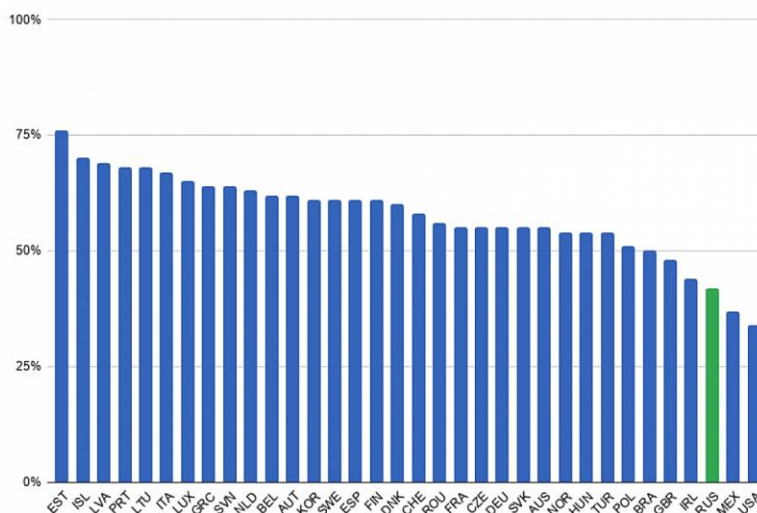
And finally, the government of Russia Federation prepared the strategy for development of small and medium sized businesses until 2030. The main aims will include implementing new technologies, which will positively affect the current situation of SMEs, as well as conduct fiscal policy, which will be a big impetus for the development of small medium. The government is also considering the training of highly qualified specialists for these areas, as well as attracting from abroad.

CHAPTER 3. REVIEW OF THE EMPIRICAL LITERATURE ON THE INTERNATIONALISATION OF SMES IN RUSSIA.

3.1. Analysis and evaluation of SME entities by industry

Businesses, particularly small and medium-sized enterprises (SMEs), are typically the most active elements of a market economy. Aside from that, small and medium-sized firms (SMEs) in developed countries are responsible for a significant portion of employment creation, the development of innovations and new technology, as well as the translation of these technologies into the local markets in which they are established. Changes and innovations in the technical process for small and medium-sized enterprises are considerably more rapid because of their small size, since there is very little time from the moment a choice is taken and the implementation of this solution in the manufacturing process. When the proportion of small and medium-sized enterprises in the structure of a country's gross domestic product is much higher than the proportion of large corporations, the economy becomes more mobile and flexible.

Figure 2.1. Contribution of businesses with under 250 employees to GDP



Source: OECD

By examining the structure of different countries' economies, it becomes fairly obvious that these countries have not only developed and improved their own segment of small and medium-sized firms, which provides competition, wage growth, and social stability, but also have developed and improved their own segment of small and medium-sized firms. The other is owing to its size and numbers, as well as a thorough grasp of the industry and the capacity to generate the items required for this market. Simultaneously, due to the danger associated with small size, limited financial resources, and a small workforce, it is vital to protect and assist these economic entities in order for some of them to grow into medium- or large-sized firms in the future. Russian SMEs fall behind those in other nations. Using a different definition — enterprises with less than 250 people — the Organization for Economic Cooperation and Development (OECD) discovered that SMEs accounted for 42% of Russia's

GDP, compared to a usual level of 50-60% for industrialized countries. Despite this, Russian President Vladimir Putin aims to boost the prominence of small businesses in the country's economic landscape. Vladimir P. By the time Putin steps down as president in 2024, he has set an official goal for SMEs to contribute one-third of Russia's GDP. Small businesses are expected to account for 23.5 % of Russia's GDP by the end of this year, an increase of \$48 billion from the end of 2018.

There are several regional, federal, and state policies in Russia targeted at sustaining and enhancing competitiveness in the SMB sector to help close the gap with industrialized countries. When it comes to supporting small and medium-sized enterprises (SMEs), Russia has a wide range of needs. As previously stated, the concentration of small and medium-sized enterprises (SMEs) varies by industry. As a result, places with high human capital and a minimal requirement for manufacturing resources remain more appealing for data. A successful small and medium-sized firm always has a good possibility of growing into a major corporation, which is why it is so important to develop industries that have a high concentration of small and medium-sized enterprises. Traditional limitations include a lack of market expertise, a lack of professionalism in doing business, complicated relationships with the banking system, significant financial risks, risks of loss of solvency, liquidity, and financial stability, and a failure to plan for the future, among others. Experts call out the consistency of cash flow, the absence of regularity in sales, and other economic indicators as being particularly important. Small and medium-sized businesses (SMBs) account for a significant portion of the loans made to them, as seen in Figure 2.3.

Figure 2.2. The volume of loans granted to SMEs of Russia (trillion rub)

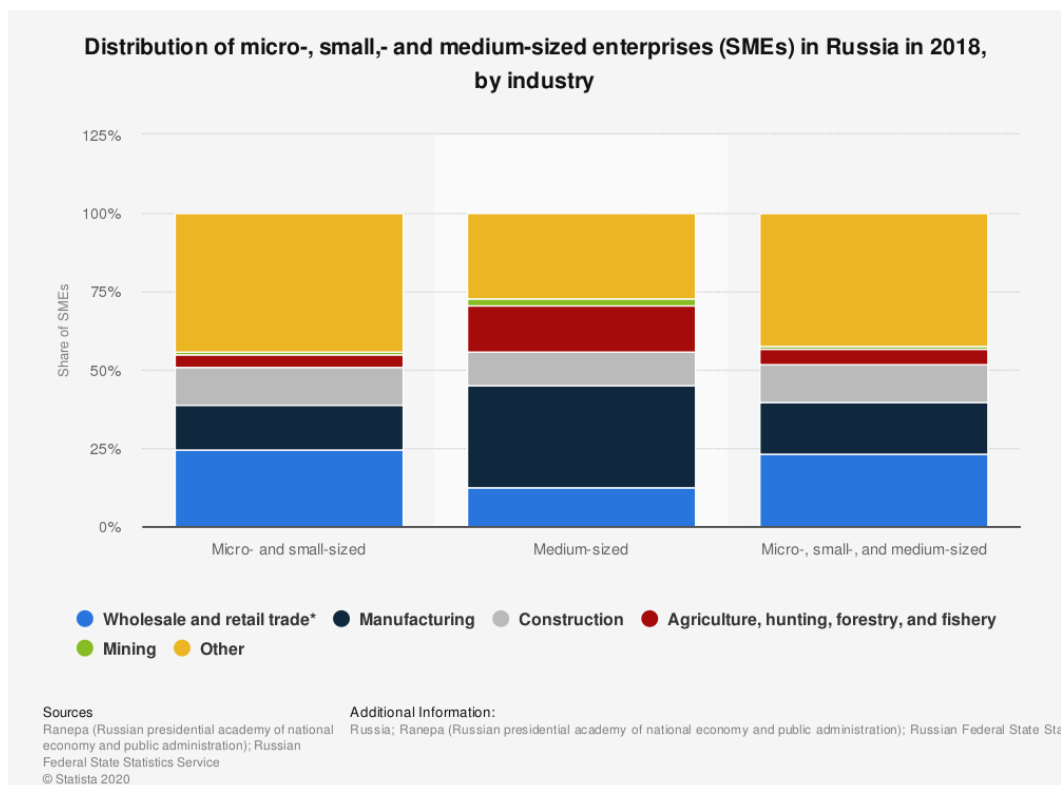


Source: "OPORA RUSSIA" Financial Markets Committee

In 2018, the volume of credit resources offered decreased significantly. The decrease was 35.08 %. On the one hand, this implies a diminish in the security of small and medium-sized firms; on the other hand, it implies the inability of implementing governmental support, hence raising the dangers of bank-small company contact. Under conditions of general

insecurity, currency volatility, decreased effective demand, and much more, small and medium-sized enterprises continue to be the most essential, yet most vulnerable, segment of the economy. They continue to be the most significant since they employ a big number of people (gross), and hence shape the regional labor market to a considerable extent. State-owned industries and huge economic organizations are incapable of creating a vast and diversified number of employment; this is the responsibility of small and medium-sized businesses.

Compared to 2014, the number of small and medium-sized firms that were operational in 2018 has increased by 8.6 %, with the growth occurring for both individual entrepreneurs as well as legally organized businesses (10 %) (15.9 %). A considerable decrease (by 40%) in the number of SMEs that are specialized in agriculture production is occurring at the same time. This decrease might be attributed to the financial difficulties of small agricultural businesses as well as the displacement of these businesses from the market by larger organizations. Small and medium-sized companies (SMBs) in several areas of the Russian economy are examined in Table 2.1, which shows their organizational structure. Agriculture, real estate, wholesale and retail commerce, as well as real estate transactions, for example, are the most cost-effective and most voluminous industries in terms of the number of small and medium-sized firms operating in these areas, according to the World Bank. As you are aware, small companies play an significant role in the commerce, population, and redistribution of completed goods throughout the Russian Federation. Many businesses not only sell, but also transport and store finished items once they have been transported.



3.2. Prospects for small and medium-sized businesses during economic sanctions against Russia

In the current climate of rising international pressures and decreasing geopolitical conditions in the economic space, the state and growth of the national economies of developing countries are both negatively impacted by the sanctions. And this is especially true in the case of Russia, whose economy has been negatively hit by recent "sanctions warfare." Changing market conditions in the state's economic growth have a direct influence on one of the state's most considerable priority areas of economic development: small and medium-sized enterprises. A worsening in the status of Russia's economy was caused by the sanctions packages implemented by Western nations in 2014, which also created concern about the country's future economic development. Foreign investment in Russia has decreased as a result of the ban on the access of the country's largest financial market players (Sberbank, VTB, Russian Agricultural Bank, Alfa-Bank) to external funding markets, which has resulted in a decrease in foreign credit inflows into the country's economy. As a result, the Russian economy has experienced a capital outflow of \$153 billion. In the case of large industrial export companies (Gazprom, Rosneft, NOVATEK, and Lukoil), sectoral restrictions in conjunction with a sharp fall in oil prices resulted in a 40-50 % drop in profits for these companies, a drop in hydrocarbon production, and a decrease in federal budget earnings, with a 40-45 % share of revenues derived from foreign economic activity, according to Federal Service of State Statistics. Taking into account the 100 % depreciation of the ruble as a result of falling oil prices and the imposition of a retaliatory food embargo on food imports from the "sanctioning countries," inflation increased by 4 % in 2014, reaching 10.4 % by the end of the year. In November, inflation reached 11.4 %. During the year 2015, the yearly rate of inflation was 15 %.

The development of small and medium-sized enterprises has long been one of our country's most pressing issues, and the solution to this problem was essential to the country's economic growth. As a result of the EU nations imposing sanctions on Russia, the importance of this issue has skyrocketed. As a consequence, small and medium-sized firms face a difficult business climate and a downturn in the economy. According to a number of experts, the present market scenario will push SME sector to adapt and tackle the challenges of import substitution and diversification of the country's economy, and these remarks have been and continue to be made often from the highest rostrums.

In 2019, there are 5,634,278 small and medium-sized businesses in Russia, including 225,556 tiny businesses, 16,977 medium-sized businesses and 5,570,745 micro-enterprises, according to the Russian Federation's Unified Register of Small and Medium-Sized Businesses Together, there are 14,646,730 persons working in these fields on average. There is a clear downward trend when compared to the same data from a year ago. More than 100,000 entities were eliminated. Approximately 80,000 micro-enterprises, 25,000 small businesses, and 2,000 medium-sized businesses went out of business last year due to various factors. Half a million workers were laid off from the workforce according to Federal Service of State Statistics (Small and medium entrepreneurship in Russia 2019, Statistical compendium, p.18)

Figure 2.3. The number of SME business by regions



Source: Federal Tax Service Report Data (2022) Number of SMEs by districts

The fact that small and medium-sized firms may thrive in the face of economic sanctions is also crucial to highlight. Legislation and tax breaks are two of the most important factors that contribute to their success. A great deal of curiosity has been prompted by foreign nations' practices in this area, as well as their expertise in developing a taxation structure geared toward small businesses. Because of this, small and medium-sized firms are granted the designation of "special subject of state regulation" at the legislative level in the majority of industrialized nations. The elements of the SME sector's taxes are determined by the social and economic significance of the sector, which is focused on long-term goals of economic growth and is related to the real economic proportions within the industry, and as a result of this policy, economically developed countries create a good macro- and microeconomic environment for businesses of any size.

Small company in Western nations is a direct contributor to the country's economic growth and development. There is an actual cult of small business in the United States and Europe, as a consequence of which the vast majority of American and European businesses fall into the categories of "small" and "medium." Ineffectiveness of the Russian government's program aimed at assisting small companies Only in the wholesale and retail trade sector (which accounts for 37 % of the overall share of SMEs) are strong growth rates recorded; 21.7 % of SMEs are involved in real estate transactions, and the rest are involved in construction according to Federal Tax Service Report Data (2022) Number of SMEs by districts

3.3 A set of measures to support SMEs in Russia

The support framework for small and medium-sized firms is comprised of a collection of distinct entities that provide the necessary assistance at the appropriate level. It includes commercial and non-profit organizations that have been established as contractors and have placed orders for the performance of work for the government's benefit. In addition, there are

entrepreneurship assistance funds, surety and guarantee funds, investment funds to generate funds, company incubators, research parks, and other organizations that are part of the infrastructure. In the current stage of development of small and medium-sized firms, and particularly in the context of the current economic crisis, it is critical to increase financial stability. The financial stability of an organization is the status of its financial resources, their distribution, and use, which ensures its development based on the increase of profits and capital, guarantees solvency and creditworthiness within conditions of an acceptable degree of risk. The achievement of such a financial position by small and medium-sized firms should be made easier by policies that support them.

The rules and criteria for governmental support for small and medium-sized firms are regulated in an ever-changing economic climate. The government is continuing to implement the "Development of Small and Medium-Sized Enterprises" program. Subsidies have been decreased by 30% in comparison to prior years as a result of the crisis and reduced financing. The total cost of the program, which includes subsidies for the assistance and co-financing of capital construction projects, is 12.3 billion rubles. According to the state program, the administration cut the amount of federal budget appropriations from 14.8 billion rubles to 11.2 billion rubles. The Federal Tax Service's subsidy for keeping the register of small and medium-sized enterprises (SMEs) was decreased by 0.6 billion rubles, and financing for the "You are an entrepreneur" initiative for Russian youth was reduced by 0.25 billion rubles according to the source of the Ministry of Finance of Russia

A large number of countries' national economies are built around small and medium-sized firms (SME). The promotion and encouragement of entrepreneurship has emerged as a key impetus in the development of the social pillar of the Russian market economy. The advancement of this direction contributes to the reduction of unemployment, the creation of new workplaces, and the expansion of the money supply in circulation. It is through all of this that the country is able to retain stability while also ensuring its economic development. We should think about how to strengthen public financial assistance for small and medium-sized firms in the context of research and implementation of international experience. According to the findings of the study, government initiatives to assist SMEs were shown to be effective in different ways in different locations. A number of the state program's proposed directions have not been properly executed; in particular, a lack of information support has made it difficult for SMEs to acquire actual financial or other property aid. Obtaining direct information from funds, as well as relevant municipal or regional departments, would be a reasonable recommendation when registering a new economic unit, to name a few examples of sensible proposals. On the one hand, providing a young entrepreneur with a package of paperwork, advertising pamphlets, and rewards when interacting with the state will save money on later public information advertising efforts to encourage interaction with the state.

Small and medium-sized business financing is one of the most promising areas for reforming the system, and it can be divided into two main approaches:

- shifting funding from the federal budget to regional and local levels;
- implementing tools for joint regulation of small and medium-sized businesses with the participation of the state and its commercial structures

The funding of this state program at the local and regional levels provides for the most flexible approach to the issue of financing SMEs, as well as the establishment of suitable institutional and financial conditions at the local and regional levels. Agriculture in the Perm region and agriculture in the Krasnodar Territory, for example, differ greatly in terms of their natural and climatic factors. Therefore, it is individualization and flexibility, as well as financial and other property circumstances that will allow for the most right and effective development of complete state assistance in the most timely and efficient manner. A special mechanism for public investment in small and medium-sized firms must be established by the state on an individual basis. According to the second idea, financial assistance for small and medium-sized enterprises should be organically incorporated into the rest of the Russian financial system. The issuance of state guarantees for commercial bank loans to small firms is one of the most successful strategies for assisting small enterprises because it combines the powers of the state with the capabilities of financial and credit systems. In various parts of the world, this type of device is fairly common. As a result, the Krasnodar Territory granted state guarantees to small and medium-sized firms in the sum of around 6 billion rubles between 2009 and 2019 according to administration and City Council of Krasnodar. The fact that this specific mechanism is one of the most promising instruments for assisting small enterprises in the present economic climate should not be overlooked. As a result of his efforts, the state will be able to encourage commercial banks to give financial resources to small enterprises, therefore increasing the availability of targeted loans to small firms. The latter is conceivable due to the fact that the investment climate in Russia is not yet totally favorable for making major investments in the banking industry without a guarantee from the government, which makes the former viable.

At the moment, the interaction between the financial system, small and medium-sized firms, and the state is still in its early stages of formation. This is because none of the parties wants to be saddled with commitments that are both exorbitant and high-risk. The establishment of a unified group of stakeholders will make it feasible to arrange a method for spreading risks among the participants in this system, which will be beneficial to all parties involved. Each and every one of the participants reaps tangible benefits.

1. The state not only assists in the development of small and medium-sized firms in its nation, but it also reaps a constant income from the operation in the form of tax revenues. In addition, the state helps to strengthen the national economy by stabilizing some areas of entrepreneurial activity, among other things.
2. A commercial bank, by investing resources in an object that is insured by the state, establishes the bare minimum of reserves for asset depreciation due to the fact that it develops a new niche for corporate lending in Russia, which is currently in the process of being established and established for the first time.
3. Small and medium-sized firms in Russia would benefit from the availability of an effective and dependable instrument for development and creation.

3.4 Impact of the coronavirus pandemic on SMEs

Despite the fact that small businesses account for a major portion of the country's economy, The right of citizens to freely employ their talents and property for entrepreneurial activity underpins the economic and social function of small enterprise. In all economically

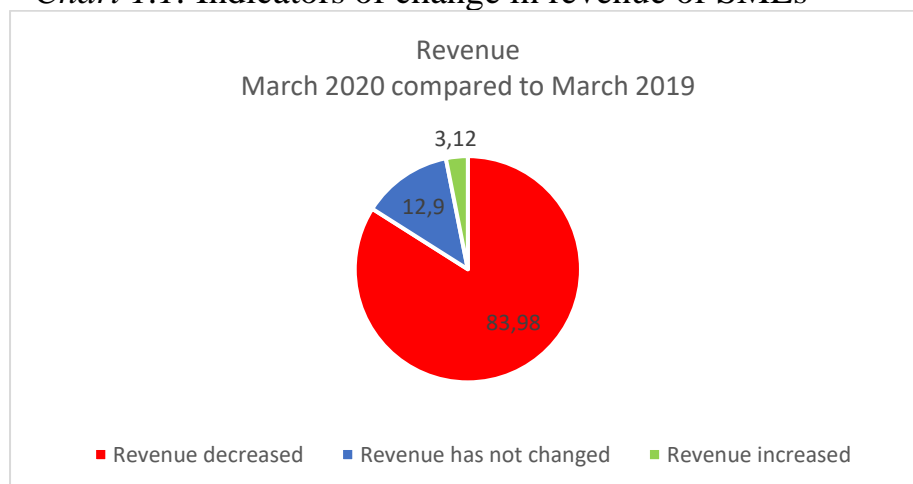
productive nations, small firms account for at least 30 % of total gross domestic product (GDP). Russia continues to be in the lead according to the Federal State Statistics Service. As a result of the COVID-19 coronavirus pandemic, the goal of this research is to identify chances for small and medium-sized enterprises to survive. Entrepreneurial activity is virtually always fraught with danger, as there are no guarantees that the volume of goods or services sold will be sufficient to meet the company's needs.

There are several difficulties faced by entrepreneurs in Russia, including loopholes in tax regulations, a lack of economic resources, dishonesty on the side of large company, illiteracy among entrepreneurs themselves, and excessive interest rates on loans. The most crucial responsibility for the state is to find solutions to these difficulties. Small and medium-sized enterprises (SMEs) in Russia are in an undesirable position. On the one hand, the economy has, for a variety of historical reasons, failed to establish a high-quality basis for the growth of entrepreneurship. For business development to take place, however, an extended period of economic stability is required, during which time there are solid standards of conduct for conducting business. Moreover, in Russia, there has not yet been a single decade in which there has not been a crisis or a substantial shift in legislative framework.

The government is concerned with the growth of small businesses and works to encourage them by offering tax breaks, subsidized loans, priority access to government orders, and other incentives. Small and medium-sized firms can take advantage of a variety of provisions under the present legislation. Even before the Russian regions began to isolate themselves completely from the rest of the country following Moscow's declaration of a state of emergency, representatives of small and medium-sized companies bore the brunt of the financial effect of the epidemic. Although the Russian government has devised compensation mechanisms to offset the effects of the pandemic, businesspeople are not hiding their dissatisfaction with the situation.

The reduction in revenue amounted to more than 80% for the main part of entrepreneurs, according to Federal Taxation Service

Chart 1.1. Indicators of change in revenue of SMEs



Source: Statistical information on small business in Russia <http://www.rcsme.ru/>

As part of his coronavirus speech, Russian President Vladimir Putin announced tax and credit breaks for small and medium-sized enterprises, which are expected to be the most

severely hit by the COVID-19 outbreak. The Russian government has selected 22 industries that may largely rely on public assistance. As was predicted, the list contained tourism-related businesses ranging from travel agents to hotels, air carriers and airports, road carriers, as well as cultural, entertainment, and sports venues. Catering enterprises, organizations engaged in additional education and non-state educational institutions, organizers of conferences and exhibitions, as well as all those who provide household services to the general public, from dry cleaners to hairdressers and beauty salons, are included on the list of those who can rely on "first aid." In the context of the coronavirus outbreak, nearly every industry, including the construction industry, will be impacted. The pharmaceutical, logistics, and food industries, as well as online commerce, will likely be the only exceptions. What should be done with the remaining enterprises from industries that are not believed to be affected is still up in the air. Small and medium-sized firms (SMEs) have mixed feelings about the government's assistance measures for entrepreneurs, owing to their familiarity with the difficulties of dealing with the state bureaucracy.

The recently announced assistance measures are neither life-saving nor essential for small and medium-sized firms, which are on the front lines of the virus's battle against the virus's spread. The government has approved a large number of regulations and measures to demonstrate that the work is continuing, but they are of little practical use. Main measures to assist businesses include preferential loans for employee salaries, temporary deferral of taxes and installment of tax payments, credit holidays, temporary cancellation of rent for municipal property, and a reduction in insurance premiums in the Social Insurance Fund from 30% to 15% according to the report of Ministry of Health of the Russian Federation

However, it is tough to pick out at least one of them that would be of significant assistance to the company in this case. A postponement or installment plan is not the same as a cancellation; rather, it indicates that, at the conclusion of a tough economic time, businesses will still be required to locate reserves in order to pay the money owed. And when we consider that businesses are now required to demonstrate a social status and pay salaries to all of their employees at the request of the government, it becomes clear that a greater number of entrepreneurs will be forced to hunt for other funding sources. While entrepreneurs must consider present expenditures, they must also consider future costs. However, in practice, such state-sponsored assistance measures would result in a situation in which the most vulnerable SME businesses will simply be unable to reopen once the quarantine has been removed because they will lack working capital. Here, it is required to include, on a lease basis, businesses in the fields of services and entertainment such as catering enterprises, restaurants, travel agencies, and retail shops, to name a few. As a result, so far, there have been more inquiries than favorable reactions to the government's offer of assistance.

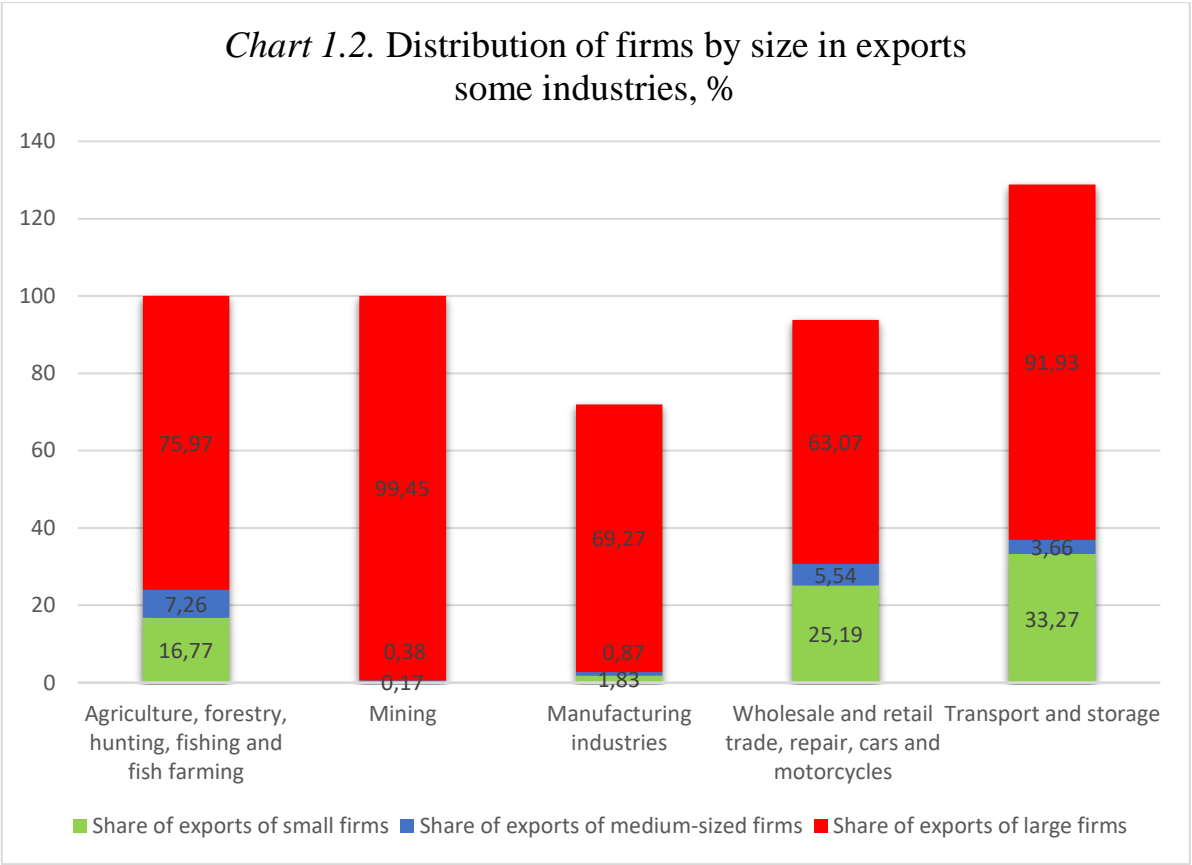
According to reality, systemically important enterprises that have already benefited from preferences will be supported, while the business as a whole will be forced to deal with difficulties. A global example of decisive action gives us the opportunity to do everything right right away, as it will be necessary for the development of the economy for several years to come. More specifically, this "pyramid" must be turned upside down in the proper proportions: back down to leave money to business, which can then preserve and grow it, and up in favor of citizens' earnings, which can then allow business to sustain and subsequently enhance them. In that case, the population would be able to allocate not only the previously allocated amounts for consumption, but would also quickly increase spending, and the money would have time to work in a more open competitive environment for the economy, and

would itself be distributed in favor of the most efficient enterprises, before returning a hundredfold to the Treasury. A business and the jobs it creates means spending money on preserving family income, which fills all areas of business because every employee, whether in the private sector, in the oil industry, or anywhere else in the government, is a consumer of all other goods and services in the economy, and therefore, if there isn't enough money for everyone in this chain, the entire economy will be in danger of going bust.

3.5 Statistical analysis of export volumes of small and medium-sized firms in regions

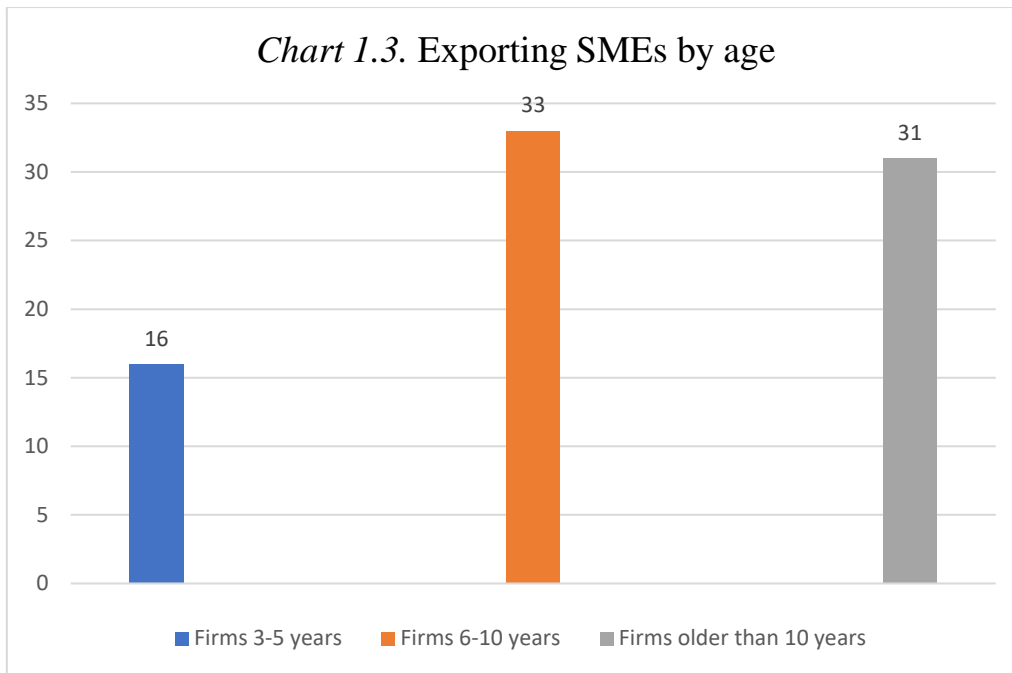
Russia's exports were dominated by large companies in 2016, with 90.8% of total exports coming from large companies, 1.6% coming from medium-sized companies, and 7.6% coming from small companies (Chart 1.2). The Chukotka Autonomous Okrug, the Republic of Tyva, the Jewish Autonomous Region, the Republic of Altai, Ingushetia, Dagestan, and Chechnya are the regions with the highest proportion of small businesses in their exports. The distribution of enterprises will be evaluated only in connection to specific categories of industries since the Russian regions specialize in the export of only certain categories of industries: agriculture, forestry, hunting, fishing, and fish farming, mining are all valuable sectors to study.

Small businesses account for the largest share of exports in the following types of economic activity: transportation and storage (33.27%), wholesale and retail trade, car and motorcycle repair (25.19%), as well as agriculture, forestry, hunting, fishing, and fish farming (all of which account for 25.19%) (16.77%). Meanwhile, the regions of Udmurtia and the Republic of Sakha have the highest proportion of small businesses in the export of the industry, while the regions of Astrakhan, Nizhny Novgorod, Samara, Kurgan, Omsk, Saratov, Smolensk, Tyumen and the Republic of Sakha have the highest proportion of large businesses in the export of the industry. The Chukotka Autonomous Okrug, the Republic of Dagestan, North Ossetia, the Chechen Republic, and the Khanty-Mansi Autonomous Okrug have the highest proportion of small businesses in the industry ("Wholesale and retail commerce"). Regionally, small businesses have developed the most in the industry ("Transportation and storage") in the areas of the Amur, the Vladimir, the Vologda, the Ivanovo, the Kirov, the Kostroma, the Kursk, the Lipetsk, the Novgorod, the Pskov, the Ryazan, and the Chelyabinsk regions according to the Database of State Customs Declarations (GTD)



Source: State Customs Service of the Russian Federation (2020)

In the database, there are no exporting small and medium-sized enterprises aged 1–2 years, which is most likely due to the fact that companies do not have enough experience to begin export activities, and, furthermore, because Russian companies are not initially created "global," that is, with an eye toward exporting, the decision to begin export activities is made years after the start of work. This is supported by statistics data (Chart 1.3.) on the age distribution of small and medium-sized exporting firms.



Source: State Customs Service of the Russian Federation (2021)

The Jewish Autonomous Oblast (33 %), the Ryazan Oblast (27%), and the Yamalo-Nenets Autonomous Okrug (25%) have the highest proportions of exporting SMEs aged 3–5 years (excluding SMEs in the Chukotka Autonomous Okrug and in the Tyva Republic with suspected data insufficiency) (25%). The NAO and the republics of the North Caucasus have the lowest concentration of them. The Yamalo-Nenets Autonomous Okrug (62%), Ryazan (38.7%), and Saratov (33.6%) areas have the highest proportion of enterprises 3–5 years old in terms of export volume., according to State Customs Service of the Russian Federation

Small and medium-sized firms (SMEs) in Russia that export 1-2 items (in the context of a six-digit categorization) account for the lion's share of the market, with 55% of the total. A significant proportion of enterprises (12.8%) are engaged in the export of 11 or more products (Fig. 11). Chechnya (50%), Chuvashia (24%), and the Rostov area have the greatest proportion of such enterprises (22%). Firms that export 11 or more items account for 16.9 % of total export volume (Fig. 12). Regionally, Kalmykia has the largest concentration (89%), followed by Chechnya (85%), Bashkiria (83%), Khakassia (74%), Ivanovo (69 %), and Leningrad (60%). The %age of enterprises exporting 3–5 and 6–10 items is lower than the share of firms exporting all goods, at the same period according to the annual report of State Custom Service of Russia Federation (28.12 and 20.84%, respective

3.6 Comparison SMEs in other countries

In Russia, the idea of balance sheet total does not exist; only revenue (in the European Union, these two criteria are the same and can be examined separately) and number of employees are regarded. In summary, the maximum revenue for a medium firm is 1 billion RUB (13,12 million EUR), 400 million RUB (5.25 million EUR), and 60 million RUB for microenterprises (0,787 million EUR). In Russia, like in Europe, there is a distinction between micro and small businesses. The maximum number of workers varies depending on the type of activity, like in the United States and Japan; in overall, this amount is larger than in the European Union. For small businesses, the maximum number of employees is: 100 in the manufacturing industry, 50 in wholesale, 30 in trade and commerce, 50 in other sectors, and 50 in the implementation of other activities ((Federal Law 88-FZ of 1995, Russian Federation, 1995)

There are two different processes to take in order to be classified as a small or medium-sized firm:

- 1) the total share of the Russian Federation, subjects of the Russian Federation, municipalities, international legal entities, non-residents, public and religious institutions (associations), charitable and other funds does not exceed 25% of the authorized (share) capital (mutual fund) of legal entities. Assets of joint stock investment funds and closed-end mutual funds are exceptions.
- 2) the capital stake of one or more legal entities who are not subjects of small and medium companies should not exceed 25% (Kozel 2009)

Differences generated by European economic codes, in independent, partners and associates in Russia do not present; therefore, when comparing the number of small enterprises in nations, one must also take into account the fact that what is a small business in Europe is not in Russia in some situations, and vice versa, what is a small business in the United States is a medium or large company in the EU. Conclusion: Because of the smaller number of small businesses in Russia compared to the EU, the definition of business is one of the causes. This is likely the first occasion in which the definition altered the image of a national economy (but not the real situation of it)

Also, we can see a huge difference in SMEs of Russia and Ukraine. During the last ten years, the Ukrainian government has started a process to adapt its description of businesses to the European concept; this process was completed in 2012, when Ukraine wanted to apply the same requirements that are used in most European Union, so relative that turnover parameters are expressed in EUR. Even if Ukraine's national currency is UAH (Ukrainian Hryvnia), this definition lacks a description of midsize firms, even if it may be derived (Chmielewski, 2012).

Kazakhstan stands out as a distinct aspect in his concept of small company. Taking the Russian concept as an example, they set a maximum amount of circulation for each category that is applicable from 2013 until 2018, the year in which the Russian Government can adjust these parameters if required. This difficulty was handled in Kazakhstan (as it was in every other country that utilized turnover, income level, or balance sheet as factors for dividing small firms) by the establishment of MCI (monthly calculation index)

The Republic of Kazakhstan declares that all enterprises with fewer than 50 employees and assets valued at less than 60 000-fold MCI are classified as small businesses. Another distinguishing feature of the Kazak definition of business is that certain activities, regardless of the number of employees or the value of assets, must be performed only by medium or large companies. These operations are: The Republic of Kazakhstan declares that any enterprises with less than 50 employees and assets valued at less than 60 000-fold MCI are classified as small businesses.

Another distinguishing feature of the Kazak definition of business is that certain activities must be carried out only by medium or large companies, regardless of the number of employees or the value of assets. These activities are: production and (or) wholesale of excisable products; activities for grain storage in grain-points; lottery; gambling and show business; mining, processing, and sale of petroleum, petroleum products, gas, and electricity.

The European Union. Even though the European Union, as a forerunner to the European Economic Community, was founded in 1957, an uniform definition of small business did not become operational until 2003. In the European Union, small firms are defined as those with less than 50 employees and a revenue of less than ten million euros, whilst micro enterprises have a maximum of ten employees and a revenue of two million euros. All businesses with less than 250 employees and a revenue of less than 50 million euros are classified as SME (European Union, 2003). Previously, the maximum number of workers in Italy was similarly 250, while in Belgium, it was 100, and in Germany, it was 500. The second section of this guideline is devoted to the principle of small businesses that are independent, associates, or partners. This distinction is critical in determining the true status of a small business; for example, in this method, even when they have a framework of small business, they will take into account medium or large; this means that a controlled or a partner company can be considered small business in certain cases, but not in others. It is crucial to demonstrate that the two criteria for identifying small enterprises are the number of employees and the turnover. Then it must be investigated why the European Union does not take into account a corporation to be a small business if it is managed by the government or state authorities for more than 25% of its share price; this choice was made in deference to the concept of market freedom; if a public entity can help a company even if there is no economic necessity, then help represented by the state cannot be considered an instrument of free markets and liberal economy.

The United States of America is another one-of-a-kind situation for a number of different reasons. "In this nation, Facebook paid \$1 billion for 13-employee Instagram. While the acquisition price is significant, I don't believe anybody would have accused Instagram of being anything other than a tiny business at the time." Cooper (2012) defines formalized. Small company size criteria in the United States are separated into about 1160 subsectors (even though some of them are the same); therefore, from two in Canada (Production and Service) to three in the United States (only for Fishing and Hunting). There are industries, such as petrol manufacturing, where the maximum number of workers is 1500, while in wholesale merchants, this limit is just 100, and in direct selling, it is only 50. The second parameter is annual receipts, which are also very heterogeneous; for example, the highest height for agriculture of grain or rice, as for hog and pig farming, is 0.75 million USD, while the maximum level for chicken egg production is 15 million USD, which is 20 times more than pig farming; for commercial banking and credit, the maximum level is 0.75 million USD.

According to convention, a small business in the United States is defined as one that employs fewer than 500 people, which is probably an overestimation given that the most recent SBA data shows that 73.2 % of small businesses are sole proprietorships and 52 % are home-based businesses (Cooper, 2012). It's amazing to be able to compare a self-made coffee shop into a bit of the United States of America and Instagram as two little American firms. In every instance, it is true American parameters to identify small businesses, which account for 99.7% of all enterprises in America, but following these factors, the writer believes that there are no circumstances to comparing these facts with Europe or Russia.

Japan. The first evidence of a difference of Japan is that small and medium-sized enterprises (SMEs) are often regarded SME, which explains why there are no distinctions between these two types of businesses. So, in Japan, there are micro, SME, and large companies; this is not surprising when considering the Japanese enterprise structure, which is defined by a share company system with fewer investors than the Anglo-Saxon system (typical of United Kingdom and United States of America) In Japan, there are two meanings, both of which are utilized depending on the circumstances; the first was incorporated into the SME Basic Act, and the second into the Corporation Tax Act. The SME Basic Act divides businesses based on the number of employees and stated capital (a Japanese peculiarity); for this law, a small business is defined as a company with less than 300 employees and 300 million YEN if it works in the market industry, 100 employees and 100 million YEN if it works in the wholesale market, 100 employees but 50 million YEN if it works in the consumer stores, and 50 employees and maximum 100 million YEN if it works in the services market (Economist Intelligence Unit, 2010). It is worth noting that Japan employs two definitions that are vastly different from one another and, at the same time, are solely determined by the contest. The meaning of small business within the Corporation Tax Act was used for e.g. during 2011, when the Japanese government made the "FY2011 Tax Reform"; with this act, in Japan, all SME, (assumed as all businesses with a market capitalization up to 100 million YEN) that have a portion of yearly revenue over 8 million YEN, will have a tax rate of 15%, if revenue is up to 8 tax rate is 19%, and finally all large corporations tax rate is 25.5 % (Japanese Minister of Economy, trade and industry, 2013).

The most notable feature of the Japanese definition of SME is the use of declared capital as criteria, rather than turnover or balance sheet; this indicates that in Japan, the size of a corporation is determined not by its results, but by its degree of investment. In Europe, as in Russia or Australia, a small firm may grow into a medium or large one as its turnover increases; at the same time, a medium company may dismiss people and reduce its turnover as a result of the crisis, causing it to be classified as a small business. Japan lacks this dynamism because when a company's stated capital adjustments only when current owners access the community, after an acquisition of another company, or after a reinvestment campaign in the company; at the same time, to keep moving from a big company to a SME, a company must decrease its stated capital, and this can occur only in the presence of debts that were not covered at all by results of gesture, extraordinary reserves, and legal reserves.

Norway. Small enterprises accounted for 86 % of all exports in Canada in 2009. (CBC, 2011). In Norway, the segmentation is based only on the number of employees, with no regard for turnover or the financial sheet. The peculiarity is that there is no actual split by marker sector; rather, legislators chose small businesses that engage in production and service sectors, resulting in two macro regions that place Canada's definition between states such as Russia or Japan and speech.

In Canada, a micro business is defined as one that employs fewer than five people. A small business employs between five and one hundred people in the production sector, and a medium business employs between five and fifty people in the service sector. A medium business employs fewer than 500 people, and a large business employs more than 500 people (Industry Canada, 2012). These characteristics are greater than in Europe and Japan, but far lower than in the United States.

China. Also, it would be wise to include in this context a comparison of Russia's SMEs with China's. Moreover 98.64 % of all enterprises in China are small businesses with 300 or less workers, accounting for more than 60 % of total GDP, 50 % of tax revenue, 75 % of employment generation, and 68 % of exports. In 2018, the number of new businesses launched hit a record high of 67.0 million, an increase of 10.4 % over 2017 Daryl Guppy (2021)

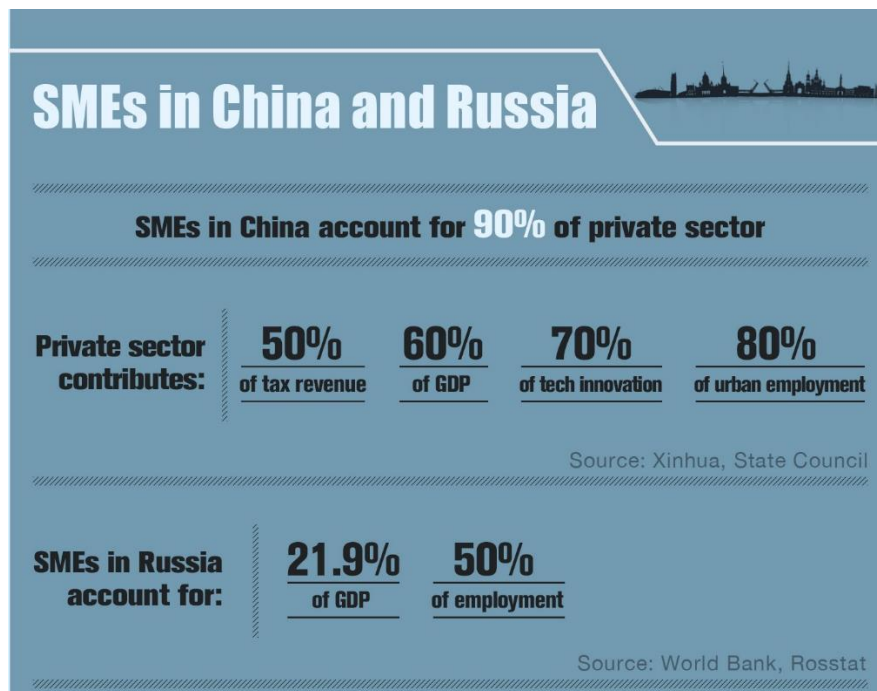
In 2017, the stock of SME loans climbed by 14.7 % to CNY 46 477.3 billion. Over the 2014-17 period, the SME loan share climbed from 54.60 % to 64.96 %. Over the same time period, the ratio of short-term loans to total loans for SMEs fell from 56.10 % to 41.62 %. In 2017, the proportion of SME loans secured by collateral fell to 50.28 %, a 1.77 % decrease.(Daryl Guppy (2021)

We can also mention the cooperation between Russia and China in the field of small and medium-sized businesses. Partnership between Chinese and Russian SMEs has been a crucial driver of strengthening economic links between the two nations in past years, a trend that is projected to continue thanks to technology, e-commerce, and increased support for SMEs in each country.

Bilateral trade reached \$100 billion for the first time in 2018, representing a 27.8 % year-on-year rise and an all-time record. The private sector and SMEs on both sides contributed significantly to the increase in trade, with small firms benefiting from tighter China-Russia connections and collaboration in sectors such as e-commerce according to (Xinhua 2020)

According to a Global Times (2021) report, the future appears bright for Russian SMEs aiming to sell their goods online abroad. The total Russian e-commerce business might be worth 43 billion US dollars by 2024. Online trading for SMEs has also benefitted Chinese enterprises trying to expand their operations in Russia. Last year, Alibaba formed a two-billion-dollar joint venture with Mail.ru Group in order to combine their online markets. This would provide Chinese internet retailers with an additional 140 million clients. This network, via which both sides would exchange consumers and data, complements other current programs between China and Russia aimed at strengthening links between SMEs on both sides.

Figure 2.4. SMEs in Russia and China



Source: Rosstat, World Bank

However according Global Times report for the 2017, the majority of the enterprises at a cross-border import and export industrial park in Heihe, Heilongjiang Province, are SMEs, with cargo volume reaching 175,000 tons in the first half of 2017.

In recent years, both Beijing and Moscow have vowed more assistance for SMEs and the private sector. China has announced various initiatives this year to facilitate access to finance and reduce expenses for SMEs, with Premier Li Keqiang noting during the Two Sessions in March that "when SMEs are lively, our economy will thrive as well." [Arendse Huld and Qian Zhou, 2022]

CHAPTER 4. ANALYSIS OF THE EXPORT SUPPORT SYSTEM OF SMES AND REVIEW AND EVALUATION OF PROGRAMS.

4.1 Analysis of the export support system of SMEs

In different countries, new developments in the export support system include the integration of programs to support small and medium-sized enterprises (at the very least insurance programs), the decrease of risk tolerance (i.e., increased risk taking), the implementation of guarantee programs in the capital markets, the use of fixed and floating rate for direct lending, the establishment of a "single window" for exporters, and the use of various refinancing instruments. The Asia-Pacific Economic Cooperation (APEC) Forum plays a significant role in promoting support for small and medium-sized enterprises in a variety of areas, as evidenced by the adoption of relevant strategic documents in priority areas and the implementation of project activities, including in the field of developing the internationalization of SMEs, in which Russia also participates. The government of a number of countries provides direct support to SMEs through grants and direct lending, but also guarantees support for bank loans to SMEs and the promotion of market-based instruments (for example, factoring), as well as taxation incentives to encourage the internationalization of SMEs in a number of countries. The enhancement of the business environment, as well as the increase in transparency, is a different area of focus.

This is accomplished via both collaborative efforts in regional organizations and the activities of individual countries at the national level, including the reduction of administrative burdens, the increase in transparency of regulatory measures, the improvement of access to educational and consulting services, the improvement of the system for protecting intellectual property rights, and other measures. Participants in APEC activities also indirectly contribute to the internationalization of SMEs, as it provides them with the opportunity to exchange experience, promote their technologies and developments, find potential partners and investors, and enter new markets through participation in these activities.

Despite Russia's enormous attempts to establish an effective export assistance system, there are a number of issues that severely restrict the state's ability to operate in this field.

1. First and mainly, exporters report that, in addition to foreign economic and political reasons impeding the growth of Russia's exports, there is a lack of knowledge among the general public about government initiatives to promote exports.
2. Second, enterprises frequently lack enthusiasm for export operations, which may be attributed to insufficient or limited expertise and knowledge of the company's management, as well as the use of non-competitive products.
3. There are also issues with the system's organization, such as the ambiguity and lack of harmonization in its regulatory framework, the lack of well-established interaction between executive authorities at the federal and regional levels, the uncertainty

surrounding the timing of state support, and a lack of competence in putting policies into effect in this field. from a group of regional performers

4. Fourth and last, the product selection is quite narrow and does not always satisfy the special needs of exporters. In addition, small and medium-sized enterprises have reported a significant proportion of refusals to give help.

According to the Database of State Customs Declarations of Russia Federation (2021), the Chukotka Autonomous Okrug, the Republic of Tyva, the Jewish Autonomous Region, the Republic of Altai, Ingushetia, Dagestan, and Chechnya are the regions with the highest proportion of small businesses in exports. According to the Federal Customs Service of the Russian Federation and the State Statistics Agency of the Russian Federation, the Jewish Autonomous Region (33 %), the Ryazan Region (27 %), and the Yamalo-Nenets Autonomous Region (25 %) have the highest proportion of exporting SMEs aged 3–5 years, indicating a favorable environment for export activities in these regions. The proportion of small and medium-sized firms with a considerable number of exported commodities, as well as the number of export destination nations, indicate the success of export activities. The proportion of SMEs exporting 11 or more products is highest in Chechnya (50 %), Chuvashia (45 %), and Rostov Oblast (22 %), and their share of exports is highest in Kalmykia (89 %), Chechnya (85 %), Bashkiria (83 %), Khakassia (74 %), Ivanovo (69 %), and Leningrad (60 %). The share of SMEs exporting to more than six countries is highest in the Kemerovo region (34 %), the Republic of Mari El (20 %), the Ryazan region (19 %), and Chuvashia (18.5 %), and their share of exports is highest in the Krasnodar Territory (94.7 %), Kemerovo (94.6 %), Tula (90.5 %), Tyumen (85 %), Bashkiria (84.4 %), Leningrad (84.2 %). Y. Gaidar recent research provide the analysis of the following regions, because they have the potential to increase exports through the implementation of export support measures [:

- with an increase in the age of firms: Chukotka Autonomous Okrug, Tyva Republic, Jewish Autonomous Region, Yamalo-Nenets Autonomous Okrug, Ryazan Region, Amur Region, Primorsky Territory, Tambov, Voronezh Regions, Krasnoyarsk Territory;
- by stimulating the growth of the number of exported goods: Chukotka Autonomous Okrug, Tyva Republic, Yamalo-Nenets Autonomous Okrug, Republic of Ingushetia, Nenets Autonomous Okrug, Altai Republic, Mordovian Republic, Kurgan Region, Sakha Republic, Kemerovo Region;
- by stimulating the growth of the number of export destination countries: Chukotka Autonomous Okrug, Republic of Ingushetia, Jewish Autonomous Region, Zabaikalsky Territory, Republic of Buryatia, Astrakhan, Amur Regions, Nenets Autonomous Okrug, Kabardino-Balkarian Republic, Khabarovsk Territory.

4.2 Strategies for the development of SMEs in the Russian Federation until 2030

As part of the "Strategy for the Development of Small and Medium-Sized Enterprises in the Russian Federation until 2030" (Decree of the Government of the Russian Federation of June 2, 2016 No. 1083-r) which was approved by the Russian Federation's government in 2016, the government also approved an action plan to put the strategy into effect. The Strategy established 14 objective indicators that must be met by 2030. The major strategic benchmark was the percentage of SMEs in GDP, which should approach the level of industrialized nations by 2030 and be at least 40% of total GDP by 2030. To achieve this goal, the percentage of SMEs in GDP must rise by at least 1 % every year through 2030, with an annual growth of at least 1 %. According to the Russian Ministry of Economic Development, citing Rosstat, the contribution of the SME sector to the country's GDP reached nearly 20% in 2016, having climbed by just 0.8 % compared to the previous year's value, which is inadequate to accomplish the target.

Since the "Strategy" is divided into numerous sections, we'll list the most important metrics the government hopes to attain by 2030 for each of those sections. Let's take a look at each area of the "Strategy" and the goals for each section.

4.2.1 Market niches for business

As indications of the formation of market niches for company, the following factors were recognized as important:

- 1) Number of non-stationary year-round shopping facilities and mobile shopping facilities;
- 2) Annual volume of purchases from small and medium-sized businesses of goods, works, and services carried out by certain types of legal entities, as a percentage of the total value of contracts concluded as a result of purchases;
- 3) Annual value of contracts concluded with small and medium-sized businesses based on the results of procurement, in which the participants are only small and medium-sized businesses

Non-stationary trade objects. A proposed law creating general principles for providing new locations for non-stationary trade facilities and simplifying the requirements for trade conducted through mobile trade facilities was developed and submitted to the Government of the Russian Federation in order to promote the development of non-stationary and mobile trade. Over the past few years, the number of non-stationary retail facilities and mobile retail facilities has steadily expanded, reaching 205.5 thousand items in 2017. (Table 2.2)

Table 2.2 Dynamics of the number of non-stationary and mobile retail facilities in Russia in 2015–2017

Years	2016	2017	2020
Non-stationary retail facilities, units	181 752	184 315	186 353
Mobile shopping facilities, units	20 369	21 156	23 454
Total	202 908	205 471	233 261

Source: Report for 2021 of the Ministry of Industry and Trade of Russia

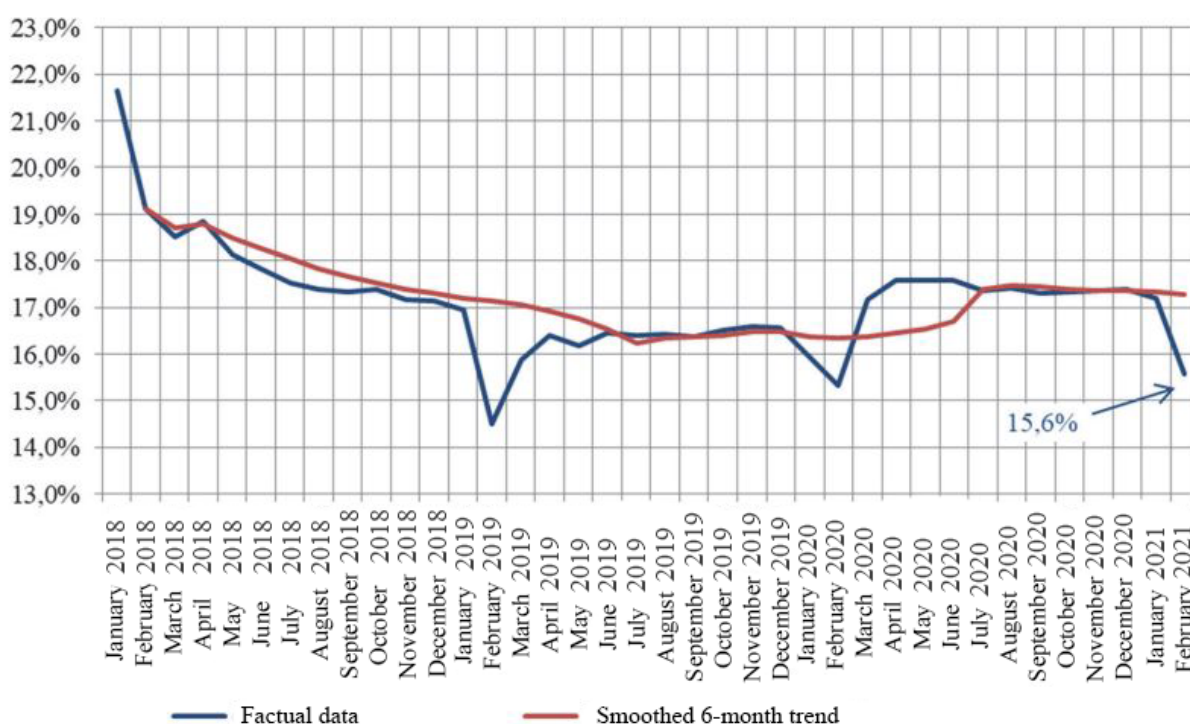
There were 200,000 non-stationary year-round retail facilities and mobile retail facilities in 2018, exceeding the aim established by the Strategy for 2018.

Procurement from SMEs. As a result of the Federal Law of July 18, 2011 No. 223-FZ "On the procurement of goods, works, and services by certain types of legal entities" and the Federal Decree of August 19, 2016 No. 819 "On changes in the procedure for the procurement of goods, works, and services from small and medium-sized businesses," as of January 1, 2018, state-owned enterprises are required to direct 15% of their orders to the SME sector for "special auctions" (orders up to 200 million rubles (purchases "by all means"). Together with the active assistance offered to small and medium-sized firms by the SME Corporation, the implementation of these quotas contributes to increasing access of SMEs to contracts with companies that have governmental engagement in the procurement process. An important objective indicator for the Strategy for 2018 is a 25 % quota for acquisitions "by whatever means necessary," which is one of the Strategy's target indicators for the year. According to the Rossat annual reports the total value of purchases from SMEs in 2016 was 1.511 trillion rubles, in 2017 it was 2.098 trillion rubles, and the target for the end of 2018 was set at 3 trillion rubles In the three months ending April 23, 2018, the total volume of contracts completed amounted to 355.060 billion rubles, with an average proportion of direct purchases equal to 43.03 %, surpassing the specified quota of 15 % by over thrice. PJSC Sberbank (11.96 billion rubles), PJSC ANK Bashneft (11.96 billion rubles), and PJSC GSK Yugoria (28.07 billion rubles) were the largest customers, followed by PJSC NK Rosneft (24.43 billion rubles), PJSC FGC UES " (22.30 billion rubles), PJSC FGC UES " (11.96 billion rubles), and PJSC GSK Yugoria (28 (10.96 billion rubles).

4.2.2 Availability of funding

The proportion of loans to small and medium-sized firms in the overall loan portfolio of legal organizations and individual entrepreneurs serves as a measure of the availability of financing. Overall, 5984.5 billion rubles worth of loans were made to small and medium-sized enterprises (SMEs) in 2017, with 421.0 billion rubles going to individual entrepreneurs, representing 7 % amount of loans made to the sector. In December 2017, the weighted average rate on loans to SMEs for up to one year, including loans on demand, was 12.17 %, while the weighted average rate on loans for more than one year was 10.84 %. Since 2014, these are the lowest values recorded. In 2017, 17.2 % of the overall loan portfolio of legal companies and individual entrepreneurs was allocated to loans to small and medium-sized enterprises (SMEs). During the first quarter of 2018, this share declined to 15.6 %, which may be attributed mostly to seasonal changes (Fig. 2.5. Using this figure in conjunction with the value of the proportion of loans to SMEs for the same time in 2017, it can be seen that the share of loans to SMEs grew by 0.3 % in 2018 as compared to the prior year.

Figure 2.5. The share of loans provided to small and medium-sized entities
Entrepreneurship

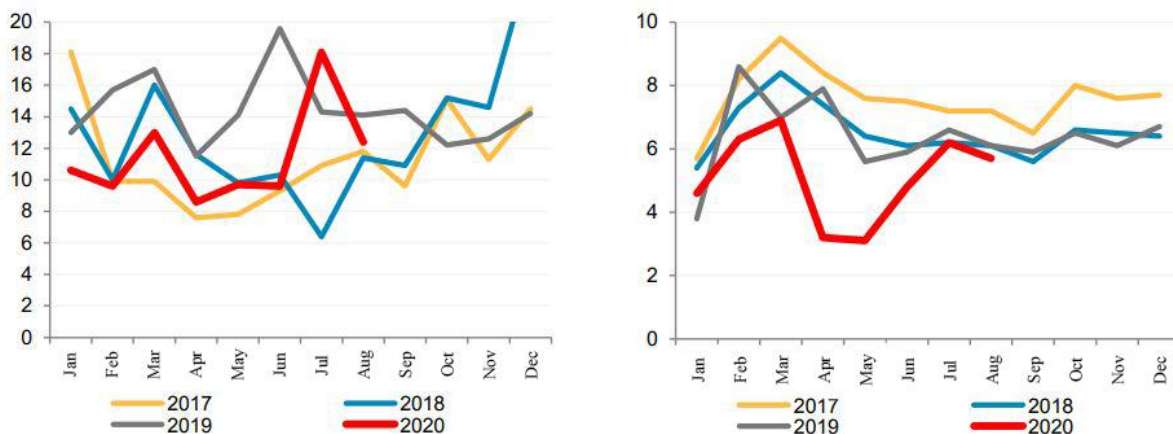


Source: Official website of the Bank of Russia. [Electronic resource]

4.2.3 Fiscal policy

The predictability of fiscal policy can be difficult to measure, but it can be evaluated by looking at indicators such as the "birth rate" of small and medium-sized organizations (the number of small and medium-sized enterprises created in the reporting period per 1 thousand operating at the end of the reporting period). This statistic only indirectly reflects the predictability of fiscal policy, because the increase in the number of newly founded firms can be attributed to a variety of other causes in addition to economic development (for example, an increase in demand, an increase in the availability of loans, etc.). Theoretically, a shift in the "birth rate" of SMEs can also occur as a result of an increase in the tax burden on small and medium-sized firms, particularly in the case of a large number of new businesses being registered. Nonetheless, this measure is a significant indication of the expansion of the SME sector in the United States. According to Rosstat Liquidation rate (2017-2020), the birth rate of organizations in 2016 was 96.2, while the rate of formal liquidation was 149.2 in the country. This indicates that for every 1,000 organizations now in operation, 96 new ones are established, and 149 old ones are closed down. Excessive growth in the value of the liquidation rate compared to the growth in the number of new organizations in 2019 suggests that the SME sector is experiencing adverse tendencies in its development.

Figure 2.6. Liquidation rate (left chart) and birth rate (right chart) (per 1000 organizations) in the economy as a whole in 2017–2020, ppm



Source: Rosstat Liquidation rate (2017-2020),

Among the other indicators that characterize the responsiveness of fiscal policy to the needs of small and medium-sized enterprises is the volume of tax revenues collected under special taxation regimes and transferred to the Russian Federation's consolidated budget, which in 2020 reached 37856.7 billion rubles. (which is 6.4 % lower than the previous year's value), as well as an indicator of the number of individual businesses that use the patent system of taxes. Only 22 % increased in the number of individual entrepreneurs that used the patent taxation system in 2020 when compared to the same period in 2019 (Galimardanova and Khazieva, 2021)

4.2.4 Qualified staff

The performance of the implementation of tasks of the area of the "Strategy" dedicated to qualified staff is intended to be measured by the indicator "the percentage of citizens planning to create their own business within the next three years."

This indicator is confusing when it comes to representing the rise or fall in the share of qualified personnel in society because its change could be due to the influence of other aspects (such as economic recovery, promotion of entrepreneurship, simplification of business registration procedures, and so on) that are not directly related to a rise in the number of citizens with the skills necessary to start their own business. Perhaps, in order to better understand what happens with qualified personnel in Russia, it would be worthwhile to establish an indicator that reflects the availability of entrepreneurial education, such as an index of the number of training programs "for future entrepreneurs" and extra education programs on business development, as well as various online courses on the topic of entrepreneurship and other educational materials. The (Global Entrepreneurship Monitor, GEM) figures show that, in 2016, 5 % of the population planned to establish their own firm over the following three years, whereas just 2.1 % of Russians who are not entrepreneurs expressed an interest in starting their own business within the next three years.

4.2.5 Single support center for SMEs

In order to achieve the objectives of the "Strategy," which is dedicated to the Support Center of SMEs, the following indicators must be met:

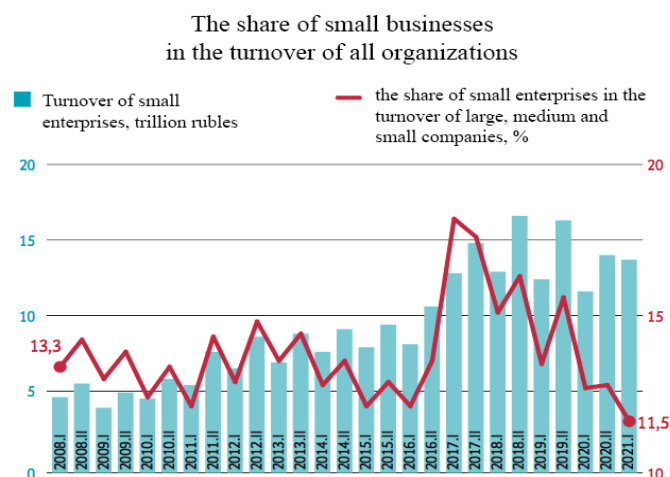
- 1) the turnover of small and medium-sized enterprises in constant prices (in real terms);
- 2) the labor productivity in the sector of small and medium business in constant prices (in real terms);
- 3) the share of the manufacturing industry in the turnover of the small and medium-sized business sector (excluding individual entrepreneurs).
- 4) the proportion of the employed population in the small and medium-sized company sector relative to the overall employed population.

Turnover of SMEs. According to Rosstat Statistical collection "Small and medium business in Russia statistics, the overall revenue of the SME sector (including intellectual property) is 3.7 trillion rubles, up 18 % last year and 10% from the first half of pre-pandemic 2019. Simultaneously, the percentage of small firms in the overall turnover of small, medium, and big businesses fell to 11.5 %, the lowest level since 2008, when the statistics office began publishing such figures.

The indicator was set at 12.6 % of 2020, and at 13.4 % in 2019. At its peak, small firms contributed 18.2 % revenue in the first half of 2017. Trade firms dominate small company - they account for more than half of total revenue (56 % in the first half of 2021). According to a report by the Institute for Comprehensive Strategic Studies report in 2020, the condition of small and medium-sized firms in Russia remains extremely tough, and it is not yet able to speak of a return to the pre-COVID level.

A contributing factor, according to the Institute, is that government support for the industry is insufficient to ensure the sector's full growth. According to the data from the recent report (Sergei Kvitko, 2020) was provided to 24,300 SMEs in August 2021 (47 % fewer than in August 2019), and the amount of support they received (16.1 billion rubles) was 20 % lower than two years ago.

Figure 2.7. The share of small businesses in the turnover of all organizations



Source: Rosstat Statistical collection "Small and medium business in Russia

The highest levels of worker productivity were seen in medium and small-sized businesses. Labor productivity in the SME sector, including individual entrepreneurs, was RUB 1.74 million per year in 2021, while the average labor productivity in the SME sector, excluding individual entrepreneurs, was RUB 2.04 million per year in the same year. Individual entrepreneurs have the lowest average labor productivity, which is partially related to the fact that it is calculated using data from other sources (the indicator "revenue" instead of "turnover" and the indicator "employed" instead of "average number of employees"). Turnover per 1 SME employee (in constant prices) climbed by 17 % in 2019 as compared to the same indicator in 2018, above the Strategy's objective of 12 % for 2018. The Russian Ministry of Economic Development advises that instead of using data on the turnover of SMEs to determine the labor productivity of the SME sector, data on the gross value added produced by SMEs be used to compute labor productivity. When it comes to the examination of the SME sector, this indicator is quite useful; nevertheless, its computation requires closed data. As a result of this method of calculation, the labor productivity of small and medium-sized firms reached 0.9 million rubles in 2019 (Rosstat Statistical collection "Small and medium business in Russia).

The share of the manufacturing industry in the turnover of SMEs. The manufacturing industry's proportion of SMEs' total turnover (excluding individual entrepreneurs) in 2016 was 11.8 %, a little increase from 2014 (11.5 %), but still short of the 12.2 % objective set by the Strategy for 2015 (Rosstat Statistical collection "Small and medium business in Russia statistics) (see chart below- table 2.8).

Share of employment in the SME sector. The difficulty in calculating the share of the employed population in the SME sector in the total number of employees stems from the fact that Russian statistics contain data on the average number of employees in SMEs, which are

formed on the basis of reports from enterprises submitted to the tax authorities, and there is data on the total number of employees in the economy as a whole, which are collected on the basis of Rosstat surveys, but there is no data on the number of employees in the SME sector. There are people who work without being paid, and this includes individuals who are unofficially employed, but the indication of the average number of employees in SMEs does not include any of them. At the same time, Rosstat maintains information on the average number of workers in a wide range of enterprises throughout Russia. To avoid misinterpretation, it is best to calculate the proportion of small and medium-sized enterprises (SMEs) employees in total employees, rather than in the total number of employed people, as proposed in the Strategy. Although data on the number of employees in SMEs is available from Rosstat surveys, there is no information on the number of employees in SMEs. There are people who work without being paid, and this includes individuals who are unofficially employed, but the indication of the average number of employees in SMEs does not include any of them. At the same time, Rosstat maintains information on the average number of workers in a wide range of enterprises throughout Russia. As a result, it is recommended that the average number of employees of SMEs be calculated as a percentage of the total number of workers rather than as a percentage of the entire number of employed persons, as proposed in the "Strategy."

Table 2.8. Share of manufacturing industry in turnover of SMEs in 2020

	Turnover of enterprises, billion rubles		Share of the manufacturing industry in the turnover of SMEs, %
	Total	Including processing production	
Micro enterprises	20 138,81	1 485,13	7,4
Small enterprises	18 738,21	2 194,90	11,7
Medium enterprises	7 586,15	1 812,51	23,9
Total for SMEs	46 463,18	5 492,54	11,8

Source: Rosstat Statistical collection "Small and medium business in Russia"

4.2.6 Technological aspects

According to the "Order of the Government of the Russian Federation of 02.06.2016 N.1083 "On approval of the Strategy for the development of small and medium-sized businesses in the Russian Federation for the period up to 2030"" the following variables were selected as metrics of the level of technological development:

- 1) the growth of high-performance jobs in small and medium-sized enterprises (cumulative total);
- 2) the share of exports from small and medium-sized enterprises in the total volume of foreign direct investment in the Russian Federation;

High performance jobs.

Calculating the number of high-performance positions in small and medium-sized businesses is not a simple process to do. Employees who work in high-performance positions are those who are replaced in a company (organization) where the average monthly compensation of employees (or the average income of individual entrepreneurs) is equal to or more than the stated value of the criterion (threshold value). The replaced jobs for organizations and enterprises are defined as those employed in the business: the individual entrepreneur himself, partners, family members who assist him, and employees. The replaced jobs for individuals are defined as those employed in the business: the individual entrepreneur himself, partners, family members who assist him, and employees. In other words, high-performance occupations are those that are both highly productive and well compensated. It is possible to claim that the quantity of highly productive employment available is a good measure of the overall quality of life of the country's inhabitants. According to the Order of October 9, 2017 N 665 "On approval of the methodology for calculating the indicator" Increase in high-performance jobs, as a percentage of the previous year "of the Ministry of Economic Development of Russia, which approves the methodology for calculating high-performance jobs, a detailed algorithm for calculating such jobs in organizations (with the exception of small ones), small and medium-sized enterprises, micro-enterprises, and individual entrepreneurs is provided in the document. It is necessary to select organizations (enterprises) with high-performance jobs based on a threshold value of the average monthly salary of employees per one substituted job, which is determined differently for different kinds of enterprises and different regions and subjects of the Russian Federation.

There has been considerable criticism of Rosstat's methodology for calculating high-performance [43] which involves measuring productivity based on the level of wages. This is because the average wage in a region is not an objective indicator of high productivity, and as a result, the number of high-performance jobs is overestimated. When it comes to public sector jobs, the extractive industry sector stands out since its value contributed is low and its pay are above the national average. Russia's Ministry of Labor and Social Development said that the number of highly productive positions in the country in 2016 was 15,980 thousand units, representing a 4.8 % reduction from 2015 [43]

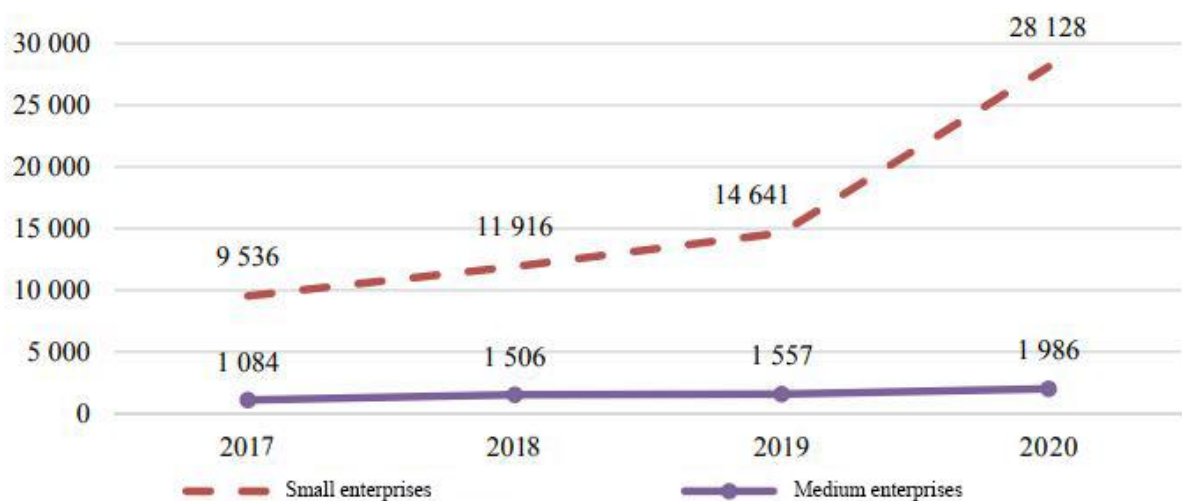
Since there was no officially approved methodology for such calculations until recently, there is no official data on the number of High-Productivity Jobs in the SME sector. However, there are calculations for the number of High-Productivity Jobs in enterprises that take advantage of special taxation regimes, which are available. Considering that small and medium-sized organizations are the most common users of special modes, we are particularly

interested in the dynamics of the number of high-performance positions in businesses that employ them. As a result, according to estimations, the number of high-performance employment in firms subject to special regimes dropped by 1.3 million between 2011 and 2016. (or decreased by 27 %) [43]

Exports by SMEs account for a significant portion of total exports.

Over the past several years, the proportion of small and medium-sized exporting firms in the overall amount of Russian exports has been between 6 and 6.5 %, according to the Russian Ministry of Economic Development, using statistics from the Rosstat [57]. Despite the fact that this is a tiny number, it demonstrates that there are active and adaptable organizations among Russian small and medium-sized enterprises that are able to resist competition in foreign marketplaces and adapt to changing conditions. One of the goals of the strategy to assist the growth of the SME sector should be to expand the number of small and medium-sized enterprises (SMEs) operating in Russia. In addition, data from the Federal Customs Service of Russia on the number of small and medium-sized firms involved in export activities was published on the Rosstat website, which was obtained from the Federal Customs Service (Fig. 2.9). With reference to the graph given in Figure 2.8, it is clear that the number of exporting businesses in Russia has risen during the last four years

Figure 2.9. Number of small and medium Russian enterprises, carrying out export activities



Source: Small and medium business in Russia // Rosstat. 2020.

4.3 Review and evaluation of the efficiency of export support programs for SMEs.

According to economists, the concept of asymmetric information and other market flaws explains why the government should be involved in export promotion. Private companies are unable to overcome the hurdles to entrance into the export market that are linked with obtaining knowledge about customer preferences, technical needs, and processes, among other things. The need for state engagement in this sector is prompted by the uncertainty associated with trading in marketplaces with varying levels of regulatory oversight. The argument for public funding of export support agencies is based on the fact that the social benefits of export growth outweigh the costs of doing business. This is due to the significant positive externalities of export growth among firms, within industries, regions, or within the exporting country over time. However, determining the influence of export assistance programs on the country's economic progress is challenging.

The findings of sociological research are rather contradictory: while some writers (Czinkota 1982), (Seringhaus 1990) believe that export promotion programs have a favorable influence on total exports, others claim that similar programs have no meaningful impact on exports. Among the beneficial effects of export support agencies are aid in overcoming information obstacles, acquiring knowledge and abilities, and the selection of the country of destination for particular commodity products. According to the (Cullwick and Mellallieu 1981), three out of four businesses are happy with its assistance in the medium to long term. According to the same research (Cullwick and Mellallieu 1981), based on a survey of 367 companies, the government's export assistance program resulted in sales increase of \$350 million, or \$28 for every dollar invested by the government. The anticipated return on export support programs was \$432 in increased firm income for every dollar spent under the program, according to previous research.

Many governments encourage the export of small and medium-sized firms (SMEs) because of the relevance of SMEs in the creation of new employment opportunities. However, despite this strategic focus, the share of SMEs in exports remains low in the majority of nations, raising the critical issue of what constraints inhibit enterprises that are successful in their home markets from expanding internationally. Tariffs, quotas, and administrative procedures, for example, are often seen as key roadblocks to the expansion of export activities. In the 1970s, the concept of "hidden stiffness" in decision-making as a factor impeding the initiation of export activities became widespread in the literature. The internationalization of organizations has long been a topic of intense interest in scientific study, particularly in the context of small and medium-sized businesses. Small and medium-sized enterprises (SMEs) are an important category since they account for about 95 % of firms globally and at least 60 % of private sector employment [5]. Despite their lesser size when compared to giant multinational corporations, small and medium-sized enterprises (SMEs) have contributed much more to employment creation in OECD nations since the 1970s. Furthermore, according to the OECD research [41], the degree of growth of the SME sector has a substantial impact on the innovativeness, adaptability, and dynamism of the economy of developed nations. Although nations have made great strides in recent years, the vast majority of small and medium-sized enterprises (SMEs) continue to be non-exporters and do not engage in any economic activity outside their own boundaries. The latest Sensis [52] survey found that just 11% of Australian SMEs export their products overseas, and that statistic has not changed over the previous three years.

An consequential question emerges: why is it that such a high fraction of SMEs do not export and, moreover, do not have any interest in beginning export activities in the near future? The answer to this question is complex. Exporting is not always practicable (for example, in some service industries), and some companies are not competitive in foreign marketplaces, as has been demonstrated. Yet a considerable number of SMEs that are competitive not only in the local market but also in the external market, and that may gain from exports, but have not yet begun or do not intend to do so, continue to exist and exist in significant numbers. Current relevant research is primarily concerned with the idea of "export obstacles," particularly the external environment. It is important to investigate the topic of "export obstacles," but another research challenge for understanding the process of internationalization is to look at the company itself, rather than the firm's surrounding market environment. This is known as the "firm-centered" research problem. [27] In this context, internationalization is characterized as a process that takes place in phases as a result of decisions made by the company. Internationalization is driven by knowledge, decisions, connections, and commitments of managers inside a corporation, according to the behavioral theory of internationalization process [28], which is becoming increasingly prevalent in study.

The original "hidden rigidity" as a component of the behavioral model of internationalization, initially offered by Luostarinen in 1979 and generally ignored since then, is an interesting point to note. The term "hidden stiffness" refers to the propensity in the actions of a company's management to concentrate on scheduled tasks while resisting unanticipated departures from the expected.

As a result, if the business is initially concentrated on the domestic market (as is the case for the majority of SMEs), "hidden stiffness" will have an impact on the stability of this solution. A behavioral model-based organization's internationalization will nearly always need the firm to overcome "hidden rigidities," with the exception of "born global" enterprises, which internationalize from the beginning of their operations .

Actually it is based on two theories: the behavioral theory of the firm (BTF) and the theory of firm development (TGF) [26], which are both applied to internationalization research. In an attempt to remedy the limitations of the neoclassical approach to organizational science, both ideas evolved . When it comes to firm growth, the BTF emphasizes the limited knowledge firms have about markets and resources, as well as about decision-making procedures that rely on bounded rationality and satisfaction, whereas when it comes to firm growth, the TGF emphasizes the importance of empirical knowledge and the proper use of resources [44]. The idea of bounded rationality is a crucial concept in the BTF. Bounded rationality is defined as follows: At the same time, restricted rationality suggests that the solution-makers do not have all of the knowledge they need to make a fully rational decision; as a result, the objective of "satisfaction" rather than "optimization/maximization" is accomplished rather than "optimization/maximization."

The behavioral theory of the firm (BTF) and the theory of firm growth (TGF) foundational of internationalization research [54]. Both ideas developed as tries to resolve the flaws of the neoclassical concept of organizational study [6; 26]. The BTF highlights companies' limited knowledge of resources and markets, as well as decision-making methods based on bounded rationality and satisfaction, whereas the TGF emphasizes the relevance of empirical information and resource allocation for company growth [54].

Bounded rationality is an important element in behavioral theory of the firm. Bounded rationality says that decision makers lack all of the knowledge required to make a completely rational decision, which means reaching the objective of "satisfaction" rather than "optimization / maximizing."

According to the TGF, the capacity of a business to successfully use, control, and expand its resources best explains its growth [30]. TGF stresses heterogeneity and a lack of resource mobility, in contrast to neoclassical theory, which posits that resources are mobile and companies are homogenous [30]. The firm's involvement in obtaining competitive advantage is the outcome of a stock of valuable and one-of-a-kind resources [9].

TGF's guiding concepts are as follows:

- First, the firm's activity is dependent on the resources that entrepreneurs manage to produce and sell goods or services in order to obtain long-term profit;
- Second, experience creates knowledge for the firm, and this knowledge can be "objective" (easy to transfer) or "implicit" (difficult to transfer).
- Third, companies have untapped potential that are essential elements in development and innovation [44].

The empirical knowledge of the company backs up the logic for the step-by-step model of the internationalization process. Market knowledge (learned via experience in a specific market) and proprietary knowledge (concerning one's own resources and abilities to grow worldwide operations) are the two types of empirical knowledge. Internationalization is defined in the concept as the interplay between the connections that serve as the foundation for decision-making and the actual behavior that results from foreign experience [38].

While the model concentrates on the step-by-step process of creating international market commitments after the commencement of internationalization, the pre-export concept takes a step back to concentrate on the firm's development and operations prior to the firm's initial choice to join a foreign market [66]. The pre-export model investigates a behavioral perspective congruent with the earlier stated model's behavior, concentrating on the function of organizational learning and knowledge accumulation through continuous contact between the company and its environment. It highlights information elements and decision-maker traits as important in determining the commencement of a firm's export activity.

The relationship between the decision maker, the company, and its environment is central to this paradigm. The impact of incentive considerations might persuade a decision maker to choose export as a strategy. This association between incentive exposure and perception also emphasizes the decision maker's crucial role in determining how these incentives are viewed and how the company will react to them [19]. Some researchers combine the two models under consideration: from the pre-export model, the firm transitions to the Uppsala model and begins exporting as the environment changes.

According to the pre-export model, the choice to begin exporting is influenced by the decision maker's view of the export incentives. Incentives are often divided into two categories: internal incentives (those that originate within the organization) and external incentives (those that characterize changes in the industry, market, or environment). Incentives start the decision-making process by providing information about prospective advantages or possibilities for the business through exporting.

The idea of "hidden stiffness" is proposed as one possible explanation for why decision makers may be resistant to export choices. "Latent rigidity" explains the usual conduct observed at each stage of the internationalization decision-making process as a result of "restricted perception," "restrictive reaction," "selective search," and "limited choice" [61]. "Limited perception" is produced by the firm's poor situation in terms of information exposure. Contacts and social contacts are critical for international growth and connecting with other markets. This viewpoint has garnered widespread endorsement from proponents of the network approach to internationalization [10]. Because the business is geographically isolated in this situation, it has less opportunities to respond to the impulses created by connections with other enterprises, which can be critical in reducing distance barriers.

The term "selective search" refers to the lack of an effective approach for locating worldwide commercial opportunities. This is true for businesses that are more focused on the home market, as well as firms whose policies are more passive than aggressive. For example, if a company can address all of its operational challenges on its own, it is unlikely to engage in internationalization. Decision makers with an ethnocentric perspective are more concerned with implementing the firm's strategy in their native country, which impacts their overall intention and desire to join overseas markets.

The term "limited choice" refers to the decision maker's reaction to uncertainty and risk. Risk-averse organizations usually go for to make decisions based on known alternatives and are inclined to view internationalization as a high-risk endeavor [49; 61]. Another factor that contributes to "limited choice" is a shortage of decision-makers with relevant expertise and understanding of international markets. "Limited choice" may also result from decision makers' perceptions that information about international markets is difficult or expensive to access. The idea of "strategic flexibility" refers to a company's capacity to react to changing situations by implementing strategic initiatives to increase its competitive advantage. The firm's move from non-export to export demonstrates its adaptability to external factors. The moderate role of "hidden stiffness," on the other hand, demonstrates that flexibility does not always lead to internationalization, even when the quality of the environment implies that this would be the best option.

CHAPTER 5. RUSSIA-UKRAINE CONFLICT. THE MAJOR EFFECTS ON SMES OF RUSSIA

The war between Russia and Ukraine dealt a huge blow to the country's economy as a whole. In Russia's post-Soviet history, these sanctions have never been applied before, and they are already having an impact. In fact, they are similar to the limits imposed on Iran in past few decades. Since the commencement of the war, the Russian stock market has been essentially paralyzed, and the ruble has fallen by 30% versus the dollar (Decree of the Government of the Russian Federation of March 14, 2022). As a result of the sanctions imposed on it, the central bank is forced to be extremely frugal with its reserves in order to combat the country's excessive inflation, which now stands at approximately 9% (Decree of the Government of the Russian Federation of March 14, 2022).

The Government of the Russian Federation has prepared and presented support measures for small and medium-sized businesses in the Russian Federation. The government will also provide more than 6 billion rubles to fund the payroll 3.0 program, which allows SMEs to acquire soft loans to pay salaries, rent, and electricity bills if 90% of their employees remain on the job during the epidemic (Decree of the Government of the Russian Federation of March 14, 2022). The government will prolong the program of reimbursement for company expenditures incurred as a result of using the Fast Payment System for another six months. An additional 500 million rubles will be invested for these reasons. In addition, the capital amnesty's fourth stage will be started. The option of declaring cash will be added to the criteria that are currently in place. In addition, securities will be replaced by the concept of "financial assets" in the legislation. That is, it will be possible to legalize not only shares or bonds, but also, for example, derivative financial instruments - these are futures contracts, options and others.

Boris Titov, the Russian Federation's Commissioner for the Protection of Entrepreneurial Rights, announced the findings of the monitoring of (Decree of the Government of the Russian Federation of March 10, 2022 No.336, after that Decree N.336). This survey included around 6,000 enterprises from the Russian Federation's 85 component units. The study was performed in two stages, from February 14 to 18, and from March 3 to 7, of this year. Foreign sanctions affected 26.4 % in the first phase of the study, and 84.1% (Decree N.336) in the second phase. "The most serious issue associated with the new sanctions, despite the complexities of others, is the rise in purchasing costs. Given that more than 90% (Decree N.336) of respondents reported it at the start of the year, this might have a systemic influence on the expansion of Russian company expenses, resulting in a dramatic fall in its competitiveness.

Respondents also mentioned a loss in revenue, a devaluation of the ruble, and a disruption in supply chains as expenses.

Non-monetary contribution.

Among the non-financial stimulus programs, the moratorium imposed by Decree of the Government of the Russian Federation of March 10, 2022 No. 336 on conducting scheduled inspections of businesses in 2022 - everything, not just small and medium-sized ones, as provided for in Art. 26.2 of the Federal Law of December 26, 2008 No. 294-FZ, - with the exception of events within the framework of:

- Sanitary and epidemiological regulate of facilities classified as extremely high risk:

kindergartens, schools, children's camps, as well as other institutions organizing recreation and recreation for children, enterprises responsible for feeding children, maternity hospitals and perinatal centers, organizations providing social services with accommodation, enterprises engaged in water treatment and water supply activities;

- State fire supervision in relation to facilities categorized as extremely high or high risk, such as organizations providing preschool and general education, recreation and rehabilitation of children, maternity hospitals, perinatal centers, and institutions providing social services with accommodation;
- State supervision in the realm of industrial safety in relation to danger class II production plants;

In addition, the characteristics of licensing activities in 2022 were authorized to ease the work of businesses in the current scenario (Decree of the Government of the Russian Federation of March 12, 2022 No. 353). They imply, in particular, the automatic extension for 12 months of licenses and other permits whose validity expires before the end of the year, as well as the establishment of a simple procedure for acquiring and republishing licenses - a total of more than 2.5 million permissions, according to the Russian Federation's Government.

It also offers for a temporary change in the product certification procedure: until September 1, companies will be able to release products into circulation in Russia, such as products imported from abroad, that are subject to assessment of compliance with mandatory requirements, without obtaining certificates of conformity from certification bodies or declaring conformity on the basis of evidence obtained from accredited testing laboratories.

Within six months, businesses will be able to change production processes and replace one component with another. This will not necessitate product certification in laboratories; instead, firms can make declarations based on their own manufacturing processes under their own responsibility, considerably speeding up product release to the market.

Significant concessions have already been made in the processes for importing items. This is also true for certification. Importers may now import items faster and certify them while they are still in transit, releasing them into circulation."

What other support do businesses need?

According to (B.Titov 2022), the operational measures currently being taken to support business are certainly important, but they do not solve systemic problems that will worsen during a crisis. Based on the results of the joint work of the Office of the Commissioner under the President of the Russian Federation for the Protection of the Rights of Entrepreneurs with regional business ombudsmen and directly entrepreneurs, a list of necessary, in their opinion, measures to support the entire business was formed. It is proposed in particular:

- Lower insurance premiums for all entrepreneurs to 12-15 % salary base to reduce the tax burden on companies. The experience of the pandemic has demonstrated that lowering the rate does not result in a fall in PFR income; on the contrary, it increases. The number of entrepreneurs who began contributing compensated for the rate drop. The present rate of 15% (Z.Ahmad, 2014) for small and medium-sized firms should be extended to all Russian businesses. Entrepreneurs desire a lower rate as well - 12

% - but a drop for everyone to at least 15 % might play a significant stabilizing role in the Russian economy.

- Introduce a moratorium on the payment of the main body of debt on loans given for business purposes for a set amount of time in order to carry out a de facto systemic restructuring: banks will need to prolong the validity of loan agreements without losing profit in the form of interest on loans.
- To stop the rise of unemployment, offer businesses with preferential loans that cannot be repaid, as long as the number of employees is maintained, allowing entrepreneurs to receive a loan at a rate of 2% for the payment of wages or repayment of previously received loans, with the potential of a complete write-off of debt on it, as long as it is kept for a certain date established number of employees.

CHAPTER 6. CONCLUSION

Overall, the effect of the national institutional environment, the Uppsala model, and network theory on management decisions concerning internationalization in Russian small and medium-sized firms was studied as part of the dissertation study. Based on the above theories, we can analyze how various methods have their aspects in the internationalization of small and medium-sized businesses both in Russia and in other countries.

The characteristics of the internationalization of small and midsize enterprises are recognized, taking into consideration the details of the Russian environment and the distinguishing aspects of these businesses, and the most basic framework in this area are identified, based on an analysis of trends in the field of research on the internationalization of firms in this sector; the factors influencing internationalization are systematized and classified, among which are: individual, I It is highlighted that institutional considerations are the most essential in describing the processes of internationalization of small and medium-sized firms from emerging nations.

It's also important to mention Russia's assistance system. The realization of programs to support small and medium-sized enterprises (at least insurance programs), the reduction of the acceptable level of risk, i.e., increased risk taking; the implementation of guarantee programs in capital markets; the use of fixed and floating rates for direct lending; the introduction of a "single window" for exporters, and the use of various refinancing tools are new trends in the export support system in various countries.

The measures revealed that Russian state assistance for exports has the predicted influence only on the firm's chance of accessing the overseas market, and only for small firms, whereas no such impact is detected for medium and large enterprises. The operation of regional export promotion centers has no effect on any type of company. The present export support measures, which are likely to be incorporated in regional business support programs, are likely to be successful only in terms of giving knowledge and financial aid in joining the overseas market, but not in terms of export quantities. At the same time, these initiatives are particularly crucial for medium-sized businesses rather than tiny businesses.

Furthermore, the capital-labor ratio is an essential component in influencing both the probability of export and the number of exports; consequently, assistance measures should be directed at increasing this indicator. In general, it is necessary to develop separate strategies and measures to support exports in the context of industries and regions, rather than introducing measures into existing entrepreneurship support programs, because these programs frequently provide support to all firms without distinguishing between exporting and non-exporting firms.

Based on the President of the Russian Federation's aim of increasing export volumes, it is important to reform the system of export assistance at the federal and regional levels, taking into consideration the present implementation challenges.

Firstly, in order to increase the consciousness of firms, it is essential to construct a single platform that merges all types of export support, grow the prospect of electronic document management when receiving support, a "one-stop shop" mechanism capable of delivering high-quality marketing and consulting services at a fixed price.

Second, to augment the product line of financial and non-financial support with programs that reimburse a portion of the expenses of generating product samples, certification, and delivering trial batches. To encourage the initiation of export operations, it is required to create a specific system of advantages for new exporters, conduct out export promotion efforts, and establish online ways for teaching the fundamentals of export activities.

Thirdly, in order to improve the competitiveness of local products, it is vital to decrease technology import costs, create access to logistics infrastructure internationally, and assist in lowering transportation costs for the supply of exported goods, including through the conclusion of international trade agreements.

The pandemic also became a significant impact in the degradation of SMEs' function. Small businesses and firms play an important part in the country's economic growth. However, they have been particularly badly impacted by the epidemic, which has limited economic prospects for most sorts of businesses, resulting in lower demand, lower income, and less efficient staff labor. We can confidently state, based on the evidence presented above, that the target was met. During the research, it was discovered that the pandemic crisis was the most severe in recent decades, dealing a significant hit to the activities of small businesses. Concerning the duties assigned, their execution is clearly systematized, and every detail has been thought out.

Small enterprises in Russia have shuttered or gone into remote mode. Profit dropped multiple times, yet fixed and variable costs had to be met. Many entrepreneurs were at a loss and hoped solely for a speedy end to lockdown, but this did not occur, and soon businessmen were forced to take several measures to survive their businesses, since the epidemic restricted the corridor of prospects for most small company regions. The coronavirus epidemic has accelerated the growth of digitalization in many aspects of our life, including small companies. However, in the present environment, digitization has become a survival strategy rather than a development plan for most businesses. Enterprises fixed short-term issues and brought internal work procedures up to date with current circumstances.

Additionally, one of the major challenges in the growth of small businesses in Russia, particularly in the processing industry, is a lack of investment. Simultaneously, a large portion of investment is directed to the extractive industries, primarily in the export direction, which ultimately undermines the competitiveness of Russian small and medium-sized businesses in comparison to foreign enterprises and leads to an increase in imports in these industries, which are characterized, to a large extent, by low-quality and falsified products, despite their qualities, which are in demand in the context of low incomes for the majority of the Russian population.

Considering the current state of ruble liquidity within the nation and restricted access to external financing markets, the mega-regulator should adopt a strategy of selective monetary regulation and quantitative easing. Use a selected technique of regulating the loan market with a systematic policy to cut the key interest rate in order to benefit small and medium-sized firms in the long run. Taking into consideration the diverse realities of entrepreneur operating in Russia, distinct regional economic aspects of doing business have emerged. They vary by Russia's regions and districts, since there is a definite distinction in conducting business based on climatic, geographical, socioeconomic, administrative, and infrastructural factors.

The chosen technique will allow the Bank of Russia to refinance those commercial banks that will be prepared to grant to SMEs on a long-term basis, taking into consideration the decrease of the key interest rate to a level below the income of small firms. Despite the fact that current Russian financing is characterized by "short" money, this tendency must be reversed.

It is difficult to claim the implementation of the set course for import substitution and leading the country's economy out of the crisis through domestic production of competitive products without financial support for SMEs, a reduction in interest rates on loans, the introduction of tax holidays, state guarantees for SME loans, and long-term money.

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