



CODEN [USA]: IAJPBB

ISSN: 2349-7750

**INDO AMERICAN JOURNAL OF
PHARMACEUTICAL SCIENCES**<http://doi.org/10.5281/zenodo.2648231>Available online at: <http://www.iajps.com>

Research Article

**DEVELOPMENT PROBLEMS OF ENTREPRENEURSHIP INTO
RUSSIAN REGIONS**

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Article Received: February 2019**Accepted:** March 2019**Published:** April 2019**Abstract:**

The purpose of this article is to study in the business environment of the Russian regions, identify problems of entrepreneurship and search for ways to solve them. The article reveals the essence of entrepreneurship. The general problems of domestic entrepreneurship are revealed. It analyzes the development of medium, small and micro enterprises in the region by types of their activities and quantitative indicators.

A large number of employees involved in small forms of enterprises. In many regions, entrepreneurial activity mainly relies on the development of agricultural production. A large share of employment is observed at wholesale and retail enterprises. In addition, manufacturing and construction are popular industries. In the Russian regions, tourism is gaining popularity. According to the results of research, certain conclusions were made and proposals were made for the development of entrepreneurship in the region.

Key words: *Entrepreneurship, Medium Business, Micro Enterprises, Business Environment, Risks, Industries.*

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Please cite this article in press Burgsta Evieva et al., Development Problems Of Entrepreneurship Into Russian Regions., Indo Am. J. P. Sci, 2019; 06(04).

SHORT REVIEW:

Entrepreneurial activity is based on the trade of products manufactured or purchased for sale, with a view to generating income.

The task of entrepreneurship is the use of the prevailing economic conditions in their own interests, but in no case adaptation to them.

Entrepreneurship is characterized as an enterprise's profit-seeking activity aimed at the production of goods and services, carried out at the expense of the owner, who bears potential risks.

In the economic literature, entrepreneurship is called "initiative independent activity of citizens and their associations, aimed at systematically earning profits, carried out at their own risk and under their property responsibility and registered in the manner established by the state" [5].

The formation and development of entrepreneurial activity in Russia took place in the conditions of the transition of socio-economic relations from the existing to the market ones.

In business there is always an innovative moment, which is expressed in various forms, for example, the manufacture of a product of a novelty; change of activity; creating a new business. Innovative aspects also include the changed management system of production and quality, improvement of the organization of production, the introduction of new technologies.

The relationship between the entrepreneur and the consumer develops in such a way that the first is always given an active role, and the second is passive. However, only the consumer can influence the flow of the business process. It is known that the subject of the entrepreneur's activities depends on the demand, which is formed in the case of a positive opinion of the consumer. This assessment is confirmed by the consumer and manifests itself as the latter's willingness to purchase the manufactured goods. An entrepreneur in his work not only cannot ignore the moods, desires, interests, expectations, and consumer ratings but is also obliged to listen to them if he wants to achieve success.

The entrepreneurial process cannot proceed spontaneously and chaotically. This is where the role of the state manifests itself, which consists of the goals and objectives that control social conditions, situations that are taking shape in the sphere of business activity.

Each economic subject pursues, first of all, its own interests. The plans of the entrepreneur and the employee often coincide, as a rule, it concerns income. But in relation to other goals, there may be differences between them. If this happens, the parties must find a compromise option on the principle of which the labor market functions, that is, when the employee is satisfied with the wages, and the employer agrees to pay the agreed amount.

In modern economic conditions, every entrepreneur understands that economic development is based on the division of labor, which means that among many industries you need to choose the one in which he can succeed.

Every entrepreneur for the effective implementation of their activities requires partnerships. For entrepreneurs, it is important to create a chain of partnerships, relatively isolated from the overall economic process, necessary for interaction in addressing common issues. Partnerships will be able to ensure a holistic production process, where every entrepreneur will be busy in his particular activity [7].

In modern conditions, an entrepreneur is required to cooperate with other partners and constantly work on themselves in order to achieve a synergistic effect in total, which will help them quickly target the consumer market and expand their activities or switch to other industries, in accordance with market conditions.

Entrepreneurial activity is aimed at the production and supply to the market of goods that are in demand and generate entrepreneurial income. Profit is essentially the difference between the amount of income and expenses. If it is positive, then this means that the adopted business decisions on the production and sale of goods on the market are correct. This means that a product has been found for which there is a demand that is hidden and revealed by the entrepreneur.

Entrepreneurship is divided into types: production, commercial, financial, intermediary, insurance, "depending on the content of entrepreneurial activity and its connection with the main stages of the reproduction process" [5].

The viability of small enterprises depends on the freedom of choice and the simplicity of their creation, is determined by the absence of administrative pressure, relies on a preferential taxation system, and pricing that meets the law of supply and demand.

Creation of small enterprises can manifest itself as an initiative to unite individual entrepreneurs, or as a result of the separation from the composition of the existing enterprise or organization. If a small business is separated from the organization, then it is its founder.

Large businesses include corporations, joint stock companies.

A corporation is the most efficient form of business organization that allows for the short-term and efficient collection of capital. Only large enterprises can afford to apply the form of financing through the sale of shares and bonds. The corporation attracts the savings of numerous households, which is also profitable for the latter.

Russian entrepreneurship is characterized by imbalance, but it also has positive features.

In Russia, as a rule, the male part of the population is engaged in a larger share of business (more than 80%). Distinguishes Russian entrepreneur such a feature as literacy. According to surveys, the share of persons with higher education among entrepreneurs exceeds 80%. As for representatives of big business, almost 40% have a Ph.D. degree, about 7% have a second degree.

Industrial, commercial, and financial types of entrepreneurship are widespread in the modern market, as well as younger businesses: consulting, auditing, and innovation.

An entrepreneur in Russia can be any capable citizen who is able to work, endowed with the enterprise in business matters. "Citizens of foreign countries and stateless persons" can also become Russian entrepreneurs. Interestingly such a form of entrepreneurship as a collective one. In it, partners can be "associations of citizens using both their own and other legally acquired property" [5].

However, not everyone who has the right to become entrepreneurs should become them. To be a successful businessman, we need abilities, knowledge, skills, energy, natural gift. Without all this, you can sometimes achieve short-term luck, which will be replaced by losses, failure, and even bankruptcy. In addition, it is necessary to know that genuine entrepreneurship is not a haircut of coupons, but a burdensome and exhausting daily work.

But today the society, especially the Russian one, urgently needs such businesslike, energetic people capable of forming a stratum of entrepreneurs. The movement towards entrepreneurship is an effective way of renewing the economy, reviving the Russian host [9].

Entrepreneurship as one of the specific forms of manifestation of social relations not only enhances the material and spiritual potential of society, not only creates a fertile ground for the practical realization of the abilities and talents of each individual, but also leads to the unity of the nation, preserving its national spirit and national pride.

At the present stage, the efficiency of the Russian economy depends largely on the state of the extractive industries, with the main contribution being made by export-oriented industries, primarily oil and gas.

One important and intractable task is the problem of building market relations in the Russian economy is to carry out the structural transformations of its sectoral economy, previously focused on the industry of production and extractive industries.

Business in Russia is constantly faced with the risks that have arisen during the crisis period. The conditions in which business develops are the result of modern economic and political transformations and innovations. Of course, external sanctions against the Russian Federation directly affected the state of the business climate.

A lot of factors affect the development of entrepreneurship - all of them should be considered in the system of "threats and risks of entrepreneurship - measures to protect against them". Such an approach allows not only to analyze the problems of entrepreneurship development but also "to develop protection mechanisms for the business community in general and each individual entrepreneur in particular" [12].

The key negative factors affecting the business environment and the security of entrepreneurship in Russia include imperfect legislation that allows you to create numerous "loopholes" for criminals, unscrupulous competitors, and often the ground for abuse by the bureaucratic apparatus, corrupt groups.

Often, a business is faced with the fact that officials interpret existing legislation "in their own way". However, the legislator today is increasingly voicing the need to reduce and simplify procedures for businesses.

Existing imperfections in the Russian tax system and the growing tax burden simply stifle the business, making it unprofitable. But for society, the types of business are important. Sometimes a situation arises when the total amount of taxes exceeds the amount of

income, which in turn leads to the practice of “black wages”, the so-called “optimization”, simply withdrawing capital from the Russian Federation. Constant changes in tax legislation and tax reporting mechanisms also hamper the development of business in Russia. The initiative of the federal government given to the regions, providing for “tax holidays” for newcomers in business, in the event “if it is implemented, will only give a tangible result in the future.”

Special attention is paid to the practice of non-tax levies on businesses that is more than 60 types only at the federal level (for example, fees for issuing licenses to engage in activities related to the production and circulation of ethyl alcohol, alcohol and alcohol-containing products, patent fees; fees for the use of water bodies, fees for the negative impact on the environment and for the use of forests, veterinary fees, etc.) and which is very noticeable for business [15].

Currently, the Ministry of Economic Development is considering issues of significant changes in the structure of taxes and fees. How these changes will affect the development of business - time will tell.

One of the most striking examples of the negative impact of this factor on a business is the whole industry - the fish industry. Industrial fishing practically ceased to exist in market conditions. There was competition from illegal fishing, on the other hand, pressure from regulatory agencies in the absence of state support led to a decline in this sector of the region. In many fish regions of Russia, a number of other circumstances led to the situation that it became “more profitable for fishermen to sell raw materials to foreign firms than to wait for a sanitary control check, to issue a permit for the import of raw materials into Russia, to sell raw materials at low purchase prices” [9]. In the future, this may lead to the fact that prices will rise tenfold, when the goods reach the buyer, etc.

This example is not unique. The planned introduction of a unified register of prosecutor's checks and the possible introduction of the practice of “supervisory vacations” in the event of their full implementation can significantly ease the process of doing business in all sectors.

The extremely negative background for the development of entrepreneurship in Russia creates “unfair competition, which implies for some - the creation of conditions that make it impossible to conduct business, and for others - a system of”

special relationships “that allow businesses to actively develop” [5]. Most often, such situations are created with the direct participation of government structures (corruption). It is corruption and bribery that create hypertrophied forms that seemed to be familiar to the domestic entrepreneur. In combination with the heightened criminal background formed during the transit period, when drastic changes took place in the socio-economic structure of the state, they produce extremely negative effects on the country.

The government’s anti-corruption measures seem inadequate to the scale of the threat and its impact on society. In conditions when law enforcement agencies cannot ensure the personal and property security of an entrepreneur, the security of his business, many businessmen simply abandon their business projects [15].

Given that the state and especially the business community are making certain efforts to correct the current negative situation in the field of entrepreneurship, the risks and threats remain. Thus, it can be stated that measures to protect against them are far from always adequate.

However, a special role in solving the problems of entrepreneurship belongs to those representatives of the business environment who, clearly aware of their interests, are united in business alliances to achieve their goals by joint efforts. This circumstance becomes one of the key factors for the development of entrepreneurship in Russia and the solution of problems in this area. Thus, both the state and the business community have developed an understanding that all of the above “problems require an integrated approach and resources to be addressed by the legislator and entrepreneurs.”

Consider the main most famous problems of small business in Russia.

One of the hallmarks of a small business is a high degree of risk. The development of it is influenced by many external and internal factors. Next, we consider in more detail the most basic of them.

The first is the imperfect legislative base of the state and problems with the tax system.

In Russia, the law strictly regulates the size of the enterprise, revenues, and much more. Small businesses are required to undergo many checks and report to a large number of authorities. All this greatly hinders the development of the enterprise. In addition, hard tax deductions and fines, if they are late with payment, put a lot of pressure on businessmen.

Of course, the state is developing many special programs for small businesses. For example: a simplified system of taxation and accounting. But taxes, still, take a very large part of the income.

The second problem is the lack of raw materials and financial resources.

It has long been known the problem of obtaining a loan from a bank to open a business, or to support an already operating small business. Banks do not seek to allocate funds for small businesses, since the risks that loans will not be repaid are too likely.

Investors also do not seek to invest in small businesses. Therefore, to find the missing amount for a businessman is very difficult, and sometimes impossible. Of course, all this has a negative effect on the development of firms and small companies.

Difficulties with space and working capital are the third problem.

Rental of space costs entrepreneurs considerable funds. And finding a suitable place is very difficult. To solve this problem, many projects are proposed. For example, in order not to spend huge amounts of money on premises and equipment, it is possible to negotiate with a large enterprise, which has idle capacity, about renting at a reasonable price.

There are a number of proposals to provide the possibility of consolidation for enterprises that are on the verge of bankruptcy or in a difficult economic state. In addition to these forms of association, cooperation between small and large enterprises can be a good way out. Now it exists in the form of franchising, leasing, etc.

Another problem is personnel training.

It is very difficult for small enterprises to compete with large firms in terms of wages. Therefore, the problem with personnel for small businesses is very serious. An entrepreneur needs to solve several problems at once: to find qualified employees, to figure out how to motivate them and find funds for training.

In Russia, where sometimes a single company performs several tasks at once, an additional problem is the proper training of specialists who would understand many things and could perform different tasks.

And finally, the fifth problem is the lack of solvency of the population and demand.

It is difficult for a small enterprise to produce goods in huge quantities, as well as provide services for a large number of those who wish for an inexpensive

price. Therefore, the demand for products of this kind of enterprises is small.

In addition, the cost of goods and services of small enterprises is higher than the analogues of large manufacturers. However, the financial condition of the population often does not allow giving large sums for them. These nuances lead to the fact that many firms are idle or working with a small number of regular customers, which makes the business profitable, but not very profitable.

The prospects for the development of small business in Russia are as follows.

Small business is a "locomotive" of the country's economy; therefore, in order for it to develop, a lot of efforts are made by the state. Specialists are developing a series of measures and programs to facilitate the opening of new enterprises and support existing ones.

To solve all the above problems, an integrated approach is required. It is necessary to amend the laws as necessary and give entrepreneurs a little more freedom. The tax policy in relation to small enterprises is constantly being improved and, perhaps, one day the tax system for entrepreneurs will not be so oppressive.

According to the data presented, it can be concluded that one of the problems of small business in Russia today is a reduction in the number of employees.

The reduction in the number of employees occurs for the following reasons: the desire of employers to reduce costs; reducing the number of staff in accordance with the decrease in the volume of orders; the reduction of workers who do not have advantages over others (for example, the age-aged population or those who are often forced to go to hospital).

Employers' actions to reduce staff are due to the fact that the process of dismissing employees is the fastest and most effective way to increase income from an enterprise. But such actions of employers are not always rational, for example, it is possible to lose qualified personnel.

The main problems that exist in small business today are the lack of funding, the imperfections of the tax system, red tape; the possibility of a criminal threat.

For example, about 45% of owners of small and medium businesses as a key problem inhibiting the creation of new enterprises, emit a lack of financial resources [7].

We list the main sources of financing, as a rule, these are personal savings; funds of friends and

acquaintances; bank loans and others.

Another problem hampering the development of small business is the interaction of small business with state structures and administrative barriers.

Thus, a small business can not exist without state support, as it is an integral factor in the functioning of the entire business system. In recent years, the state has increasingly supported small business, which significantly affected the number of enterprises. If this trend continues, in the coming years the prospect of small business development will continue, as well as the growth of their number.

Currently, the government of the Russian Federation provides support to small businesses in the following ways: issuing a soft loan; insurance; simplified registration; expert advice. However, this system is still far from ideal.

A modern entrepreneur must be well versed in economics, be guided in a changing environment, predict, calculate the likelihood of risks occurring. By combining the factors of production, the entrepreneur must choose the best option in order to make a profit at the lowest possible costs.

As practice has shown, a smaller number of employees are involved in micro-enterprises, but the turnover of micro-enterprises exceeds that of all medium-sized enterprises. This suggests that in micro-enterprises the turnover of resources is more active. Also, microenterprises cover a wider range of activities in the economy of the regions of Russia.

Currently, in many regions, there is a trend towards the development of tourism and industries that contribute to its development. Thus, the hotel business is developing in the regions, and the network of cafes and restaurants is expanding. The sphere of transport and communications is developing, for example, new forms of taxi services are provided. The development of agricultural production allows the development of tourism in rural areas.

Thus, by implementing their entrepreneurial abilities, the population of the regions will be able to develop their business, create enterprises of various organizational and legal forms of management. And this means that additional jobs will be created, which will positively affect the solution of the above-mentioned problems of the country's regions.

CONCLUSION:

The development of entrepreneurship in Russia is a complex and difficult process, accompanied by

numerous problems encountered in its path.

It should be noted that the socio-economic role of entrepreneurship, and especially small business, is extremely great for Russia since the most important feature of the small business is the ability to accelerate the absorption of investments, high turnover of working capital, active initiative activities. At the same time, it is characterized by relatively low profitability, high labor intensity, difficulties with the introduction of new technologies, limited own resources and increased risk in tough competition. Success in the business world decisively depends on the correctness and validity of the chosen business strategy.

As the world and domestic practice shows, small and medium-sized businesses, taking into account its characteristic features, need constant attention and support from the state and local authorities.

In the system of support for small businesses, a special place is occupied by the problems of financial and credit support, the application of tax incentives and the solution of other pressing issues that have a significant impact on the development of small entrepreneurship.

The most important areas of business promotion in modern conditions can be business motivation, development, and use of effective integrated business support programs, improvement of financial and credit business support.

Effective integrated business support programs should be targeted and take into account regional particularities.

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