

## Development of Entrepreneurship in the Region: Drivers and Problems



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**Abstract.** The paper examines drivers of entrepreneurship development in the region on the example of Ural Federal District regions. The goal of the research is to identify drivers of and problems in the development of entrepreneurship in the region. We use theoretical, logical, statistical, analytical, and index methods. Scientific novelty of the study lies in the fact that it considers global experience of research entrepreneurship as applied to the level of region, identifies sets of factors that promote the development of entrepreneurship in the Tyumen Oblast, and assesses their impact on the level of entrepreneurship development. The paper also considers problems in the development of entrepreneurship in the Tyumen Oblast. We propose indicators that assess implementation efficiency of regional (state) programs for entrepreneurship support. We carry out a comparative analysis of some aspects of governmental support provided to small business in some countries. By 2016, Russia has made a breakthrough and improved economic environment for doing business, but there has been a decline in institutional environment indicators. The Tyumen Oblast has been and remains among the leaders in small business development for several years. We make the following rating of the types of economic activities by number of small

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enterprises in the Tyumen Oblast (in descending order): trade, real estate transactions, construction, manufacturing, transport and communications, and scientific research and development. We note negative dynamics in the turnover of small businesses in administrative units of the Tyumen Oblast. In the south of the oblast, the maximum volumes of turnover are observed in the following sectors (in descending order): manufacturing, construction, real estate transactions, leasing and provision of services. State (regional) support is one of the factors promoting the development of entrepreneurship. The Sverdlovsk and Tyumen oblasts are main recipients of state subsidies for development of small and medium business in the Ural Federal District. Southern areas and Khanty-Mansi Autonomous Okrug are leaders by this indicator in the Tyumen Oblast. We note a direct dependence between the positive dynamics of small business and the volume of state subsidies. Correlation coefficient is 78.5%. We introduce a number of indicators that reflect the effectiveness of implementation of regional programs aimed to support entrepreneurs. The next driver is the quality of the market. The Tyumen Oblast is one of the leaders by level of effective demand and it ranks 11th in the rating of Russian regions by quality of life. The paper also points out problems in the development of entrepreneurship in the Tyumen Oblast, such as dependence of small businesses on state subsidies, high transaction costs, shortage of employees with necessary skills, and reduction of financial solvency of citizens.

**Key words:** entrepreneurship, state support, state subsidies, quality of the market, problems of entrepreneurship development.

**Introduction.** Regulation of entrepreneurship is a complex task due to specific nature of entrepreneurial activity. On the one hand, dealing with this task is associated with the entrepreneurial entity, and not only with the level of qualification, but with the availability of an entrepreneurial idea and a desire to implement it. All this is difficult to regulate; moreover, we can say that it does not depend on outside interference and certain directions of the country's development. On the other hand, it is difficult to implement an entrepreneurial project even if there is an idea and desire, because there exist high administrative barriers impeding the entry to the market, there is a low demand and a lack of support from the state.

In this regard, the government should "cherish" entrepreneurs who pay taxes to the budget and provide jobs for people. However, this may not become a priority to the detriment of other sectors like education, health,

environment, social programs, etc. We should indicate the development of infrastructure as a synergetic effect of their activities. It should be noted that in this article we consider not only commercial entrepreneurship, but non-profit (social, etc.) entrepreneurship, as well.

If we assume that development is a goal of society, then without continuously emerging ideas and their implementation it slows down. Expansion of opportunities for society is based on a continuous process of reproduction of ideas and reduction of the time for their implementation (utilization) [8, p. 100]. Entrepreneurial activity *a priori* assumes innovation, proactive attitude, a certain kind of thinking aimed to comprehend and formulate business ideas and their subsequent implementation. In our view, entrepreneurial activity is subject to certain laws upon which the state can provide optimal conditions for the development of entrepreneurship.

It is obvious that every entrepreneur is a person of their time and social relations. If society is based on individualism, selfishness and competition, then the goal of entrepreneurial activity is to gain maximum profit on the basis of competition and with the use of different fighting methods [11, p. 27].

If society is based on intangible values, cooperation and mutual assistance, then the goal of entrepreneurial activity is to identify and address social needs; in this case profit is a consequence, rather than the goal [8, p. 102]. Under this paradigm, the entrepreneur serves society. Modern social system partially allows for implementing such a concept of entrepreneurship only in the context of social entrepreneurship. But so far there is no possibility to analyze this kind of entrepreneurial activity due to the absence of related official statistics.

In any case, entrepreneurial sphere requires government intervention, which consists in leveling administrative barriers and promoting the development and implementation of state support measures, ensuring a high level of effective demand and formation of skilled workforce. Regardless of the country's development level, the regulation of entrepreneurship is given considerable attention (*Tab. 1*) despite the prevalence of Adam Smith's theory of "invisible hand" [24].

The goal of the present study is to identify problems of entrepreneurship development in the region on the basis of factors that we have identified.

Major findings that constitute the novelty of the research are as follows:

1) we interpreted world experience of research on entrepreneurship as applied to the level of region;

2) we identified groups of drivers of entrepreneurship development in the Tyumen Oblast, and they are as follows: efficiency of government support provided to entrepreneurship; high transaction costs associated with the development of new markets and infrastructure; recruiting and training workers with suitable qualification;

3) we evaluated the impact of the drivers on the level of entrepreneurship development;

4) we highlighted problems in the development of entrepreneurship in the Tyumen Oblast;

5) we proposed indicators for assessing the efficiency of implementation of regional programs to support entrepreneurship.

**Research methodology and methods.** The methodological basis of the research includes scientific works of foreign and domestic authors. Foreign authors base the modern concept of state regulation of entrepreneurship on the influence of the political factor in economic decision-making and, conversely, the political consequences of economic decision-making in relation to entrepreneurship. G.J. Stigler argues that economists idealize state regulation mechanisms without considering political influence in making decisions on provision of subsidies to economic sectors [24]. He empirically confirms the importance of this factor in making economic decisions. F. Den Butter and J. Hudson explore government regulation of business as "legally binding standards", the compliance with which leads to higher transaction costs of companies [19]. The standards they propose "will ensure a level playing field" for entrepreneurs. We agree that high transaction costs hinder the development of entrepreneurship. S. Haggard, S. Maxfield and B.R. Schneider consider the concepts of

Table 1. Government regulation of small business in some countries

Criteria	Countries					
	European Union	Japan	China	Singapore	USA	Russia
Goal of providing government support to small business	Balance of interests of government and business Ensuring optimal conditions for entrepreneurial activities Increasing the competitiveness of small business	The development of engineering and knowledge-intensive production in small business.	Raising investment Expansion of loan programs for business development	Raising foreign capital and investing Improving the competitiveness of small businesses in the global market	Promotion of sustainable and harmonious development	Increasing the number of subjects of small and medium business Providing employment Increasing taxes
Receivers of government support	All enterprises of small business	Small businesses that take an active part in the development of high-tech industry	All enterprises of small business	All enterprises of small business	Small business among the indigenous population Enterprises, where women hold at least 51% of managing positions Businesses managed by disabled people, etc.	All enterprises of small and medium business
Tools	Organizational and legal support of business (including the elimination of administrative barriers) Tax benefits Concessional lending Social guarantees	Subsidies at all stages of development of small businesses Training of specialists in special centers Providing qualified advisory support to entrepreneurs	Tax benefits Additional funding	Preferential taxation for beginners Reduction of interest rates on loans	Preferential taxation Grants, state order	Normative and legal regulation in the sphere of privatization of real estate Special tax regimes Improving access to public procurement
Legal basis	European Charter for Small Enterprises	Defining the status of small enterprise Setting the amount of benefits in accordance with the activity Anti-monopoly activities Regulating the market value of products	Law "On promoting the development of small and medium entrepreneurship" Programs aimed to improve the Chinese economy for the period from 2020 to 2050	Preferential tax legislation Absence of profit tax Guaranteeing the investment of funds in the economy	Law "On small business" The number of laws regulating small business is over 15 Programs for support of small enterprises, which are related to the category of problem-based Government program "Mentor – Protégé"	Federal law "On the development of small and medium entrepreneurship in Russia" Subsidies from the state budget to RF subjects on support of small and medium enterprises

The end of Table 1

Areas of government support	Institutional transformation and implementation of targeted programs of financial, technological, informational and personnel support of small and medium business	Improvement and modernization of high-tech industry Introduction of innovative technology Promotion of development of light and food industry Development and introduction of new products Creation of new small businesses in regions with a low level of industrial development	Increase in the number of small enterprises Creating conditions for cooperation of Chinese and foreign organizations that support small business Provision of information support to small business	Creation of favorable conditions for starting a business and for its implementation Development of entrepreneurial abilities of small businesses Consulting services Control of the quality of provided services and manufactured goods Improving the structure of small business Training of personnel for small business management	Providing financial support to small and medium enterprises if it is not available to them from other sources Assistance in obtaining government contracts Provision of technical and advisory services with regard to management	Improvement of taxation and the procedure of payment for privatized property Specifics of participation in public contracts Ensuring the rights and legitimate interests of subjects of small and medium enterprises in the implementation of state control (supervision) Financial support Development of infrastructure for provision of support to the subjects of entrepreneurship
Organizational support	European joint-stock company European pool of economic interests	Administration of small enterprises, which reports to the Ministry of Foreign Trade and Industry of Japan Corporation for insurance of small and medium business Association for the guaranteeing of loans	State fund for development of small and medium entrepreneurship Chinese center for coordination and cooperation of business CSMEO service	Spring Agency	Administration for small business development	Ministry of Economic Development of the Russian Federation Competent authorities that support the development of small and medium business in subjects of the Russian Federation Federal corporation for development of small and medium enterprises
Funding of government support measures	Structural funds of the European Union (Regional Development Fund, Social Fund)	Government	Government	Government	Government	Government

Compiled with the use of the sources: [5; 16; 21; 22; 23].

interaction of entrepreneurship and government proceeding from the understanding “of the private sector as capital, sector, firm, association or network” [20]. They underline the fact that investment and growth are largely affected by the relationship between government and the private sector. They determine the “political consequences of the fact that most investment decisions in a capitalist economy are made by private individuals who respond to market signals and expectations of the future course of actions of the government” [25].

Close cooperation between business and government can have a positive effect on national economy (Japan, South Korea) and a negative effect on it (India, Brazil). According to P.F. Drucker, the example of Japan and South Korea indicates the possibility of increasing the effectiveness of the policy of government regulation through close interaction between entrepreneurs and officials on the basis of high professionalism and a sense of responsibility of both parties, as well as historically close ties between them [6, p. 215]. The case of India and Brazil shows the opposite: the effectiveness of government economic policy is decreasing because of the intertwining of lobbying on the part of entrepreneurs and corruption of officials; as a result, business profit depends largely on its proximity to the state apparatus, rather than on the presence of entrepreneurial talent.

The works of domestic scientists are dominated by general theoretical and sectoral research on the specifics of state regulation of entrepreneurship, but the territorial aspect is represented marginally (D.E. Tolmachev, E.A. Ulyanova, L.M. Pliner [15]). Attention was focused not on freedom of entrepreneurship,

as in the UK or the United States, but on government regulation, which predetermined a relatively rigid subordination of entrepreneurial activities to national objectives and a rather indifferent attitude toward a low economic efficiency.

In Russia, the state historically plays a key role in the development of entrepreneurship, as evidenced by the research carried out by Russian scientists. When studying the stages of formation and development of entrepreneurship in Russia, A.N. Asaul connects the development of legitimate entrepreneurship with the level of government intervention in the market economy [1]. In his works he focuses on the theoretical aspects of development of modern entrepreneurship, and its industry specifics (construction). A.V. Busygin in his works analyzes entrepreneurship as “a special form of economic activity” [4] and highlights economic drivers of entrepreneurship development. V.G. Basareva [2] points out the inconsistency of the modern system of distribution of state subsidies, when a successful region receives larger amounts of state aid than outsider regions in need of funding. There arises a necessity to improve indicators of efficiency of implementation of state (regional) programs to support entrepreneurship. A. Porokhovskii argues that government intervention in the activities of entrepreneurship is required only in “critical cases”; and in most situations, the mechanisms of market economy are able to resolve the situation effectively [13]. Judging by the experience of the Russian state, market-based tools do not always cope with the role of regulators, and it is necessary that government intervene in the expansion of the business sector. O.A. Solov’eva considers theoretical

aspects of state regulation of the economy and highlights the specifics “in terms of economic transformation”, identifying “the current trajectories of state regulation of national entrepreneurship” [14]. She argues that “it is the state that has become the guarantor of stability, optimality and civilized nature of market economy” [14, p. 31]. The authors support this point of view. N.N. Shchebarova in her works analyzes the ratio of “freedom of trade” and protectionism in government regulation of foreign economic activity and its impact on entrepreneurship [17], and not only quantitative but also qualitative characteristics of business sphere.

In general, modern researchers agree that government support of entrepreneurship and the level of transaction costs are among major factors in the development of entrepreneurship in the country.

A methodological basis of the research includes theoretical, logical, statistical, analytical, and index methods. An empirical basis comprises statistics data of Rosstat, the results of a focus group research with participation of entrepreneurs of the Tyumen Oblast; the research was conducted in 2012–2013 [10].

We regard the region as an administrative and territorial unit. We choose the Tyumen Oblast as the object of the study because it is one of Russia’s business-friendly regions. For a number of years, the oblast is a leader in the development of small business at the federal level and in the Ural Federal District (UFD), as evidenced by the data of various ratings (Tab. 2).

Thus, different research fields, including those in the sphere of government regulation of entrepreneurship, would find the Tyumen Oblast an interesting object to study.

**Findings of the research.** According to the Doing Business international rating, Russia has moved up from the 120th to the 51st position for the period from 2010 to 2015. The jump is to some extent due to a change in the methods used by Doing Business. Nevertheless, by 2016, Russia has made a breakthrough and improved its economic conditions of doing business: “connecting to power supply” – by 24 points and “obtaining a loan” – by 19 points. There is a drop in the rating by the indicators that show administrative barriers (five indicators): “registration of enterprises” and “settlement of insolvency” show maximum reduction (by 7 points) [26].

Table 2. Position of the Tyumen Oblast in the ratings

Indicator	National rating of investment climate in subjects of the Russian Federation in 2015	Index of the quality of environment for development of small and medium business in 2013–2014: regional disparities	Entrepreneurship climate in Russia: OPORA RUSSIA Index 2012	Dynamics of development of small entrepreneurship in Russia’s regions in 2013
Position in the rating	10 place in group II (out of 24)	Included in the group of “catching-up regions”	7 place out of 39	Included in the group of leaders from 14 regions
Sources: <i>Investment rating of Russia’s regions – 2015</i> . Available at: <a href="http://wciom.ru/index.php?id=236&amp;uid=115304">http://wciom.ru/index.php?id=236&amp;uid=115304</a> ; <i>Index of the quality of environment for development of small and medium business in 2013–2014: regional disparities</i> . The Analytical Center of SME Bank. Moscow, 2014. 20 p.; <i>Entrepreneurship climate in Russia: OPORA RUSSIA Index 2012</i> . OPORA RUSSIA, 2012. Pp. 112-114. Available at: <a href="http://www.mediakrug.ru/upload/image/opora_ros/pdf/DG01-13.pdf">http://www.mediakrug.ru/upload/image/opora_ros/pdf/DG01-13.pdf</a> ; Saidullaev F.S. <i>Dinamika razvitiya malogo predprinimatel'stva v regionakh Rossii v 2013 godu (malye predpriyatiya, vklyuchaya mikropredpriyatiya)</i> [Dynamics of development of small entrepreneurship in regions of Russia in 2013 (small enterprises, including microenterprises)]. Moscow: Natsional'nyi institut sistemnykh issledovaniy problem predprinimatel'stva, 2014. 32 p.				

Table 3. Dynamics of the number of registered small enterprises of the Ural Federal District per 100 thousand inhabitants for the period from 2011 to 2014\*

Constituent entity of the Ural Federal District	Number of registered small enterprises, units		Increase/decrease, %	Number of registered small enterprises, units		Increase/decrease, %
	As of January 1, 2012	As of January 1, 2013		As of January 1, 2014	As of January 1, 2015	
UFD: total, including:	1435.1	1511.0	5.3	1571.3	1634.5	4.0
Kurgan Oblast	666.0	805.9	21.0	833.9	834.0	0.01
Sverdlovsk Oblast	1694.7	1776.2	4.8	1895.1	1894.2	-0.05
Tyumen Oblast (excluding autonomous okrugs)	1755.6	1864.8	6.2	1819.4	1944.6	6.9
Khanty-Mansi Autonomous Okrug	1485.3	1646.8	10.9	1463.8	1677.6	14.6
Chelyabinsk Oblast	1001.3	1012.7	1.1	1107.9	1199.2	8.2
Yamalo-Nenets Autonomous Okrug	1292.6	1269.6	-1.8	1218.4	1316.7	8.1

\* The data take into account information about the number of micro-enterprises and small enterprises.  
Sources: compiled and calculated with the use of the sources: Saidullaev F.S. *Dinamika razvitiya malogo predprinimatel'stva v regionakh Rossii v 2015 godu (malye predpriyatiya, krome mikro-predpriyatii)* [Dynamics of development of small entrepreneurship in regions of Russia in 2015 (small enterprises, excluding microenterprises)]. Moscow: Natsional'nyi institut sistemnykh issledovaniy problem predprinimatel'stva, 2016. 32 p.; Saidullaev F.S. *Dinamika razvitiya malogo predprinimatel'stva v regionakh Rossii v 2014 godu (malye predpriyatiya, krome mikro-predpriyatii)* [Dynamics of development of small entrepreneurship in regions of Russia in 2014 (small enterprises, excluding microenterprises)]. Moscow: Natsional'nyi institut sistemnykh issledovaniy problem predprinimatel'stva, 2015. 34 p.; Saidullaev F.S. *Dinamika razvitiya malogo predprinimatel'stva v regionakh Rossii v 2013 godu (malye predpriyatiya, vklyuchaya mikro-predpriyatiya)* [Dynamics of development of small entrepreneurship in regions of Russia in 2013 (small enterprises, including microenterprises)]. Moscow: Natsional'nyi institut sistemnykh issledovaniy problem predprinimatel'stva, 2014. 32 p.

This allows us to conclude that an efficient management program for regulating business environment is implemented. The factor analysis of entrepreneurship development helps identify universal mechanisms that influence its level.

In the framework of our study it is expedient to analyze the dynamics of indicators of small business development in the region (*Tab. 3*).

According to the data from *Tab. 3*, the Tyumen Oblast (excluding autonomous okrugs) is among leaders (2nd place in 2012, 3rd – in 2014) in the federal district to increase the number of small enterprises per 100 thousand population: 6.2 and 6.9%, respectively. In 2014, in Yamalo-Nenets Autonomous Okrug and in the Chelyabinsk Oblast, in contrast to the Sverdlovsk and Kurgan oblasts, where there no increase in the number of small businesses was

marked, there was an increase of 8% compared with the 2013 level. In 2014, the Tyumen Oblast (excluding autonomous okrugs) ranked first among the regions of the Ural Federal District by the number of registered small enterprises per 100 thousand inhabitants (1944.6 units), the Kurgan Oblast was an outsider (834.0 units).

In 2014–2015<sup>1</sup> the Ural Federal District witnessed a growth in the number of small businesses per 100 thousand inhabitants (an increase of 9.3%). A significant increase in the number of small businesses per 100 thousand inhabitants in the region in 2015 compared with 2014 is observed in the Chelyabinsk (10%) and Kurgan (5.9%) oblasts.

<sup>1</sup> The data include information on the number of small enterprises (excluding micro-enterprises and individual entrepreneurs). In accordance with the federal plan for statistics work (approved by the Decree of the Government of the Russian Federation dated May 6, 2008 No. 671-р).

Table 4. Dynamics of the number of small enterprises (including micro enterprises) in the regions of the Ural Federal District from 2010 to 2014, units

Territory	2010	2011	Growth, %	2012	Growth, %	2013	Growth, %	2014	Growth, %
UFD, total	148402	173452	116.9	183493	105.8	191647	104.4	199970	104.3
Kurgan Oblast	6734	6053	89.9	7223	119.3	7429	102.9	7315	98.5
Sverdlovsk Oblast	63028	72817	115.5	76513	105.1	81740	106.8	81843	100.1
Tyumen Oblast, total	39507	59782	151.3	64512	107.9	63853	99.0	68961	108.0
including: KhMAO	12886	22831	177.2	25710	112.6	23206	90.3	26796	115.5
YaNAO	4104	6785	165.3	6812	100.4	6621	97.2	7106	107.3
south of the Tyumen Oblast	22517	30166	134.0	31990	106.1	34026	106.4	35059	103.0
Chelyabinsk Oblast	39133	34800	88.9	35245	101.3	38625	109.6	41851	108.4

Compiled and calculated with the use of the sources: *Maloe i srednee predprinimatel'stvo v Rossii. 2010: stat. sb* [Small and medium entrepreneurship in Russia. 2010: statistics collection]. Moscow: Rosstat, 2010. P. 12; *Maloe i srednee predprinimatel'stvo v Rossii. 2011: stat. sb* [Small and medium entrepreneurship in Russia. 2011: statistics collection]. Moscow: Rosstat, 2011. P. 12; *Maloe i srednee predprinimatel'stvo v Rossii. 2012: stat. sb* [Small and medium entrepreneurship in Russia. 2012: statistics collection]. Moscow: Rosstat, 2012. P. 12; *Maloe i srednee predprinimatel'stvo v Rossii. 2013: stat. sb* [Small and medium entrepreneurship in Russia. 2013: statistics collection]. Moscow: Rosstat, 2013. P. 12; *Maloe i srednee predprinimatel'stvo v Rossii. 2014: stat. sb* [Small and medium entrepreneurship in Russia. 2014: statistics collection]. Moscow: Rosstat, 2014. P. 11.

However, in two thirds of regions in the Ural Federal District the number of small businesses per 100 thousand inhabitants of the region is reducing: in the Sverdlovsk Oblast – by 23.5%, in Khanty-Mansi Autonomous Okrug (KhMAO) – by 8.9%, in Yamalo-Nenets Autonomous Okrug (YaNAO) – by 5.0%, in the Tyumen Oblast – by 2.8%<sup>2</sup>. So, the Tyumen Oblast (south) is a region with a dynamically developing sector of small business, and it occupies a leading position in the Ural Federal District.

In order to achieve the objectives of the study it is useful to consider the dynamics of the number of small enterprises in the regions of the Ural Federal District (*Tab. 4*).

<sup>2</sup> Saidullaev F.S. *Dinamika razvitiya malogo predprinimatel'stva v regionakh Rossii v 2015 godu (malye predpriyatiya, krome mikropredpriyatii)* [Dynamics of development of small entrepreneurship in regions of Russia in 2015 (small enterprises, excluding microenterprises)]. Moscow: Natsional'nyi institut sistemnykh issledovaniy problem predprinimatel'stva, 2016. 32 p.

Thus, according to the table, we see positive dynamics of growth of the number of small enterprises in the regions of the Urals Federal District for the period under consideration. However, the growth rate is slowing down by an average of 11%.

The rating of the types of economic activities by the number of small enterprises in the Tyumen Oblast (in descending order) is as follows: sales, real estate transactions, construction, manufacturing, transport and communications, and scientific research and development.

The results of the study reveal the decreasing dynamics of the turnover of small businesses. Maximum growth was recorded in 2012 at the south of the Tyumen Oblast (121.5%) and in Khanty-Mansi Autonomous Okrug (115.5%), since 2013 there has been a slowdown in the growth by an average of 10% per year in the south of the Tyumen Oblast, and by 5% in Khanty-Mansi Autonomous Okrug.

Table 5. Dynamics of the volume of subsidies allocated from the federal budget of the Russian Federation for state support of small and medium enterprises (including peasant/farming enterprises) to constituent entities of the Ural Federal District, mln rub.

Region	2012	Share, %	2013	Share, %	2014	Share, %
UFD, total	1324.5	100	1548.5	100	1573.4	100
Kurgan Oblast	111.1	8.3	81.1	5.2	139.9	8.9
Sverdlovsk Oblast	558.1	42.1	566.1	36.6	631.2	40.1
Chelyabinsk Oblast	138.4	10.4	411.0	26.5	153.0	9.7
Tyumen Oblast	516.8	38.8	490.4	31.7	649.3	41.3
		100		100		100
including: south of the oblast	195.7	37.9	201.2	41.0	313.1	48.2
KhMAO	213.0	41.2	215.2	43.9	254.5	39.2
YaNAO	108.1	20.9	73.9	15.1	81.6	12.6

Compiled and calculated with the use of the sources: *Small and medium entrepreneurship in Russia. 2015: statistics collection Appendix to the collection (the information broken down by constituent entities of the Russian Federation), 2015*. Available at: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/doc\\_1139841601359](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139841601359).

On the south of the Tyumen Oblast the maximum volumes of turnover (in descending order) are observed in manufacturing, construction, real estate transactions, rent and provision of services<sup>3</sup>.

Based on scientific research in the field of entrepreneurship, we believe it is necessary to apply this experience and results of the studies to analyze the development of entrepreneurship in the Tyumen Oblast, and also to show the place of the Tyumen Oblast in the structure of the Ural Federal District in this regard.

It is advisable to consider the drivers of the dynamics of small business development prevailing in the regions of the Ural Federal District. **One of such drivers** is state (regional)

<sup>3</sup> Calculation source: *Small and medium entrepreneurship in Russia. 2015: statistics collection Appendix to the collection (the information broken down by constituent entities of the Russian Federation), 2015*. Available at: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/doc\\_1139841601359](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139841601359).

support for this economic sector. According to S.F. Karabag, state support is one of the key factors in sustainability of business in developing countries [22].

In order to solve this problem we analyze the dynamics of the volume of state subsidies for small business and their structure in the Ural Federal District and in the Tyumen Oblast (*Tab. 5*).

According to the data in *Tab. 5*, the Sverdlovsk and Tyumen oblasts are the main recipients of state subsidies for development of small and medium business in the Urals Federal District: their share comprises 40% in the structure of subsidies allocated to the Ural Federal District. This funding affects the growth of the number of small firms in the regions (see *Tab. 3*), and the Tyumen Oblast is among the leaders by the number of registered enterprises of small and medium business per 100 thousand inhabitants.

In the context of the Tyumen Oblast the first place among the recipients of subsidies for development of entrepreneurial sphere belongs to the south of the Tyumen Oblast and to Khanty-Mansi Autonomous Okrug: in 2014, their share was 48 and 39%, respectively.

Thus, there is a direct correlation between the positive dynamics of small business and the volume of state subsidies. The correlation coefficient is 78.5%. On the one hand, this demonstrates the interest of the state in the development of the sector. In recent years economists increasingly criticize the theory of “invisible hand”. For instance, Piketty [12] uses mathematical methods of research and proves the inevitability of state intervention in the creation and development of the middle class that is formed by the entrepreneurs and businesspeople.

On the other hand, this policy determines consumer attitudes of entrepreneurs towards the state, creating a “subsidy entrepreneurship” characterized by low competitiveness and “dependency”. According to a focus group research conducted in 2012–2013 among the

businesspeople of the Tyumen Oblast [10, pp. 57-65], the main problems of a business of one’s own include high administrative barriers to market entry, difficulties with paperwork and with obtaining subsidies, and high costs for the retraining of employees.

We propose the indicators that show the efficiency of implementation of regional programs for support and development of entrepreneurship when state subsidies are granted (*Tab. 6*).

According to Table 6, the Kurgan Oblast (19,125 rub.) and Yamalo-Nenets Autonomous Okrug (11,483 rub.) occupy leading positions among the regions of the Ural Federal District by the number of subsidies per small enterprise. The maximum amount of subsidies per person is observed in the south of the Tyumen Oblast (221 rub.), in the Kurgan Oblast (160 rub.) and in Khanty-Mansi Autonomous Okrug (159 rub.), the minimum amount (44 rub.) is observed in the Chelyabinsk Oblast. The greatest income per ruble of subsidies is observed in the Chelyabinsk Oblast (3,246 rub.). The Tyumen Oblast ranks fourth by this

Table 6. Indicators showing the efficiency of implementation of regional programs for entrepreneurship support in 2014, rub.

Region	Volume of subsidies/number of small enterprises	Volume of subsidies/region’s population	Turnover of small enterprises/ volume of subsidies
Kurgan Oblast	19125	160	468
Sverdlovsk Oblast	7712	146	1542
Tyumen Oblast (south)	8931	221	1113
KhMAO	9498	159	1229
Chelyabinsk Oblast	3656	44	3246
YaNAO	11483	151	893

Calculation sources: *Small and medium entrepreneurship in Russia. 2015: statistics collection Appendix to the collection (the information broken down by constituent entities of the Russian Federation), 2015*. Available at: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/doc\\_1139841601359](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139841601359).

indicator (1,113 rub.). The lowest income per ruble of subsidies is observed in the Kurgan Oblast (468 rub.).

According to the focus group research, 60–70% of public support to the business sphere is based on the interest of the Governor and on the financial solvency of the region. Most often, the authorities seek to develop local business, but if the oblast is not rich, then there is no possibility to implement large-scale programs for provision of support to the business sector. In this sense, the Tyumen Oblast is in a better position. The data presented in Tables 3, 4 and 5 prove that three of the five regions under consideration have high rates of small business development (Tyumen Oblast, Sverdlovsk Oblast, Khanty-Mansi Autonomous Okrug) and they systematically receive state subsidies. The Kurgan Oblast and Yamalo-Nenets Autonomous Okrug are significantly inferior to them in terms of entrepreneurship development and receive the largest amounts of state subsidies in the Ural Federal District. This indicates a low level of entrepreneurial activity of the population in these regions.

In the Tyumen Oblast there are various forms of support of small and medium entrepreneurship: the oblast adopted the state program of the Tyumen Oblast “Main directions of development of small and medium entrepreneurship” till 2020. It implies financial, property, informational and advisory support of subjects of small and medium entrepreneurship.

We should also highlight such economic measures as special conditions created for entrepreneurs who work under the simplified scheme and pay a 5% tax instead of a 15% tax. Large enterprises that start operating on the territory of the Tyumen Oblast and play a

significant role in cultivating small business [5, p. 76] are granted benefits on profit tax, the rate of which is reduced from 18 to 14%, on property tax: its rate is reduced from 2.2 to 0%, on transport tax: its rate is reduced to 0% depending on the vehicle. The Governor of the Tyumen Oblast imposed a moratorium on the deterioration of tax environment for business for the whole period of his term in office. The planning system has been improved; in particular, not only medium-term plans (for a five year period), but also strategic plans (for a ten year period) are being developed.

We think that the change in the way entrepreneurship is perceived by state authorities is of considerable importance. For decades, the business sector was seen as a source of revenues to the budgets of different levels. In recent years, entrepreneurship is perceived in the first place as a sphere that provided employment, and tax revenues from it are secondary.

**Another factor** in the development of small and medium entrepreneurship is transaction costs; they include a search for markets, the quality of which is determined by the level of effective demand of the population and the development of infrastructure. The Tyumen Oblast is one of the leaders by the level of effective demand. According to the rating of constituent entities of the Russian Federation in terms of quality of life, the south of the Tyumen Oblast ranked eleventh in 2015<sup>4</sup>.

In conditions of the Western sanctions, the proximity of the Asian region and the presence of the Trans-Siberian Railway is a competitive

<sup>4</sup> *The rating of Russian regions by quality of life – 2015.* Available at: [http://riarating.ru/regions\\_rankings/20160225/630011011.html](http://riarating.ru/regions_rankings/20160225/630011011.html)

advantage of the Tyumen Oblast on its way toward the development of new markets. In the Ural Federal District the following regions are leaders in the export of goods (in descending order): Khanty-Mansi Autonomous Okrug, Sverdlovsk Oblast, Chelyabinsk Oblast, Tyumen Oblast. As for imports, the rating is as follows (in descending order): Sverdlovsk Oblast, Chelyabinsk Oblast, Khanty-Mansi Autonomous Okrug, Tyumen Oblast<sup>5</sup>.

In 2014, trade turnover in the Tyumen Oblast decreased in comparison with 2013 by 26.0%<sup>6</sup>, and it decreased by 7.8% in 2015 in comparison with 2014.

The number of exporting countries increased by 28.3%, and that of importing countries by 1.7%<sup>7</sup>. This indicates that entrepreneurs in the Tyumen Oblast actively develop their business for the purpose of finding new foreign partners. Main foreign

trade partners of the Tyumen Oblast are the Netherlands, Turkey, Finland, China, USA, Spain, Hungary, Egypt, Ukraine, and Germany.

**Conclusion.** Thus, we have carried out a comparative analysis of state support of small business in some countries and it shows that by 2016 Russia has made a breakthrough to improve its economic conditions of doing business. We have identified the drivers of entrepreneurship development, they include government support and transaction costs, including the quality of the market. We have highlighted problems in the development of entrepreneurship in the Tyumen Oblast, they are as follows: dependence of small business on government subsidies, high transaction costs, shortage of manpower with the right skills, decrease in the solvency of the population. Developing the ways to handle these problems can be the subject of further research.

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<sup>5</sup> Based on the data: Overall results of foreign trade of constituent entities of the Ural Federal District in January – December 2015. Available at: [http://utu.customs.ru/index.php?option=com\\_content&view=article&id=12927&Itemid=226](http://utu.customs.ru/index.php?option=com_content&view=article&id=12927&Itemid=226)

<sup>6</sup> Information on the development of foreign economic activity in the Tyumen Oblast. Available at: [http://admtymen.ru/ogv\\_ru/finance/foreign\\_economic\\_activity.htm](http://admtymen.ru/ogv_ru/finance/foreign_economic_activity.htm)

<sup>7</sup> Ibidem.

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