

FEATURES OF SMALL BUSINESS DEVELOPMENT IN THE BALTIC STATES AND IN THE MOSCOW AGGLOMERATION

Alexander Averin, Inna Stecenko, Valentina Grigorieva

Abstract: *The article discusses the factors and features of small business development in the Baltic States and in the Moscow agglomeration. The article presents statistics and dynamics of small business development from 2010 to 2018 according to the following criteria: the contribution of small business to GDP, the number of small enterprises, the number of employees of small enterprises, the activities of entrepreneurs, the ratio of liquidated and new enterprises. Constraints and problems of small business development are summarized. The directions of increase of efficiency of the state policy on development of small business are recommended.*

Keywords: *small business, entrepreneurs, small business development, problems of small business development, small business development in the Baltic States, small business development in the Moscow agglomeration.*

JEL classifications: *E61, O12, M21*

1 INTRODUCTION

Despite the common historical development, there are significant differences in economic development, in particular, the development of small business in the Baltic States and Russia. According to expert estimates, the share of small and medium-sized businesses in the GDP of various EU countries ranges from 45 to 80%, and the average for the Baltic States is 67%. The contribution of small businesses to Latvia's GDP is 77 %, the share of small businesses in Estonia's GDP reaches 60%, in Russia - 22.3%.

The purpose of the article: to consider the features of small business development in the Baltic States and in the Moscow agglomeration.

The methodology of the article: the methodological basis of the article is General scientific research methods such as the method of statistical analysis, quantitative and qualitative analysis, interpretation of results, the method of orientation on the final result, the method of expert estimations and forecasting.

2 MAIN BODY OF TEXT

Lithuania's economy overcame the pre-crisis level in 2013, and in General, for 2008-2019, its GDP growth rates are close to those of Germany and the UK. GDP of Latvia and Estonia at the end of 2019 above the level of 2008 and have a further growth trend (table 1-2).

Table 1: Gross domestic product, constant prices (Billions)

Country	2008	2009	2010	2011	2012	2013
Estonia	16.876	14.391	14.717	15.835	16.517	16.836
Latvia	21.816	18.674	17.938	19.083	19.852	20.335
Lithuania	32.371	27.576	28.028	29.721	30.859	31.939

Country	2014	2015	2016	2017	2018	2019
Estonia	17.323	17.652	18.268	19.155	19.896	20.492
Latvia	20.713	21.328	21.768	22.778	23.864	24.620
Lithuania	33.068	33.737	34.530	35.960	37.199	38.284

Source: World Economic Outlook (WEO)

Table 2: Gross domestic product, constant prices (Percent change)

Country	2008	2009	2010	2011	2012	2013
Estonia	-5.419	-14.724	2.259	7.597	4.307	1.936
Latvia	-3.548	-14.402	-3.941	6.381	4.035	2.430
Lithuania	2.628	-14.814	1.639	6.043	3.827	3.499

Country	2014	2015	2016	2017	2018	2019
Estonia	2.889	1.900	3.489	4.857	3.866	3.000
Latvia	1.858	2.972	2.064	4.636	4.770	3.166
Lithuania	3.537	2.021	2.353	4.140	3.446	2.918

Source: World Economic Outlook (WEO)

Statistics of the Association of European business shows that small business in the EU is developing very quickly and is at a higher level than in Russia. For example, Estonia – 16, Latvia – 19, Lithuania – 14, Russia ranks 31st (out of 190 countries) in the ranking of the countries with the most favorable conditions for entrepreneurship (table 3). [9]

Table 3: The ranking of Doing Business (2019)

Country	Overall rating	By number of registered enterprises	By lending	By international trade	By number of liquidated enterprises
New Zealand	1	1	1	60	31
Singapore	2	3	32	45	27
Denmark	3	42	44	1	6
Estonia	16	15	44	17	47
Latvia	19	24	12	26	54
Lithuania	14	31	44	19	85
Russia	31	32	22	99	55

Source: Отчет World Bank «Ведение бизнеса 2019»

Latvian scientists have identified the internal factors of small business development: the ability to initiate and implement something new within the framework of the adopted legislation, the ability to find creative solutions to create and sell products for profit; motivation, independence[3]. S. Stradina denoted "introduction of innovations" as a factor of development of small enterprises. In her opinion, innovation does not mean only new services and products, innovative development should be present in business processes, sales channels, design, pricing and revenue structure, in ways to attract customers, as well as changes in technology and knowledge accumulation.[13] Ainar Leppanen (Head of retail banking SEB) noted that innovation is primarily, digitization, and implementation of new technologies open up for small businesses new directions of development. Yan Aps (co-founder of the Estonian network of social entrepreneurs (ESEN)) denoted the social aspect of the development of small and medium-sized businesses "the highest goal of any human activity is not to achieve GDP growth, but to improve the welfare of people and protect the environment, while it is necessary to set "smart" goals for a positive impact on society.[5]

Quantitative criteria for defining small businesses in the Baltic States: in Latvia - the enterprise whose number of employees does not exceed 25 persons, a turnover of 40 million euros, the carrying value of fixed assets – not more than 27 million euros; Lithuania - the enterprises with number of employees not more than 250 employees and turnover not exceeding 40 million euros; Estonia - the company employing 80 people, with turnover not exceeding 40 million euros.

In Russia, in 2019, changes were made to the definition of criteria for classifying legal entities as small businesses: limit on the amount of income (the limit of income of small enterprises-800 million rubles., microenterprises-120 million rubles., medium-sized enterprises-no more than 2 billion rubles.); limit on the number of employees (up to one hundred people for small enterprises (among small enterprises are microenterprises-up to fifteen people); from one hundred to two hundred and fifty people for medium-sized enterprises); the limit on the share of other companies in the authorized capital (the threshold of participation of foreign and Russian legal entities in the authorized (share) capital of SME increased from 25% to 49%, an increase in the period during which the company retains the status of a SME, despite the change in the limit values for the criteria of small and medium-sized businesses from 2 to 3 years).

In the Baltic States, 83% of small businesses are concentrated in Latvia. However, Estonians are much more active in creating new businesses for the following reasons: the presence of an attractive business environment, a developed ecosystem of start-UPS and the suspension of emigration. [4, 11]

Small and medium-sized businesses in Lithuania, Latvia and Estonia operate and develop in different ways. In the Baltic States, the status of "microenterprise" exists only in Latvia, and it differs significantly from the criteria established by the European Union. Latvian microenterprises can employ up to 5 employees, with annual turnover not exceeding 100 thousand euros, and not more than 8 thousand euros per month [14]. In Lithuania, a microenterprise is formally recognized, provided that the staff of up to 10 employees, and the annual income-up to 290 thousand euros. In Latvia, microenterprise status is prohibited for certain activities. Kristians Rozenvalds noted that for micropreparative need sovershenstvovat tax sitsemu.[6]

Small enterprises in the Baltic States account for an average of 90%. In recent years, the growth dynamics of small enterprises has been positive. The total number of small businesses in the Baltic States in 2018 increased by 40% compared to 2010 (table 4)

Table 4: Number of small businesses in the Baltic States (2010-2018)

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018
Latvia	81309	79233	91939	97122	100491	109642	115477	112400	123060
Lithuania	61546	64955	61063	63886	66386	74478	77880	81291	81464
Estonia	100067	103668	108711	112578	113574	117203	120254	127428	131464
Total	242922	247856	261713	273586	280451	301323	313611	321119	335988

Source: Central Statistical Bureau of Latvia (<http://www.csb.gov.lv/>); Lietuvos statistikos departamentas (<http://www.stat.gov.lt/>); Official Statistics Estonia (<http://www.stat.ee/>)

However, according to the generalized statistics of the Lursoft database, in January and February 2018, the number of liquidated enterprises in Latvia twice exceeded the number of new ones. For the first two months of 2018 was registered 1 852 thousand enterprises and removed 3 thousand 574. In 2017, 16 thousand 480 enterprises were closed, and only 10 thousand 210 were opened. It should be noted that in the crisis years 2008 and 2010, no more enterprises were closed than opened. Negative dynamics for the first time beginning to manifest itself only in 2016, when there were 11 206 thousand enterprises and liquidated -12 228 thousand. Chairman of the Riga chamber of Commerce and industry Sergey Fedorov noted that among the 16 thousand liquidated in 2017, there was a large number of quite viable firms in a difficult situation due to the state of the economy and the lack of real support. The expert predicts that the rate of reduction in the number of enterprises in Latvia will continue to grow. One of the reasons for this is aggressive tax policy, excessive bureaucracy and unhealthy business environment. Not only young companies leave Latvia, but also those who have worked in the market for a long time, often entrepreneurs transfer the company's activities to neighboring countries: Lithuania and Estonia.

Estonia has been a leader in the number of small businesses throughout the study period. The business environment in Estonia contributes to the accelerated pace of digitalization of Estonian society, as a large number of small businesses participate in this process. The main idea is that the development of the entrepreneurial environment of small businesses is a necessary basis for the development of modern digital society. Estonia's legal and tax reforms have created a favourable climate. The network of SME support institutions and the establishment and development of supporting organizational structures for development have also become crucial in Estonian state economic policy. The economic potential of small business and the development of entrepreneurship in Estonia are formed in two interrelated directions: creation of favorable conditions for activities, i.e. creation

of a favorable external environment; improvement of the management system by ensuring effective adjustment of internal factors in accordance with changes in the external environment. [10]

Key sectors that made the greatest positive contribution to the dynamics of Estonian GDP in 2014-2016 according to Euromonitor (calculations of the Analytical center) real estate and rental operations, business services, public administration, health care, education, woodworking; Lithuania: real estate and rental operations, business services, transport and logistics complex, public administration, construction; Latvia: financial services, production of metal products, wholesale trade, real estate and rental operations, business services, health care. The number of people employed in small businesses in Estonia significantly exceeds Latvia and Lithuania. (Table 5)

Table 5: Number of persons employed in the Baltic States (2010-2019)

Country	2010	2011	2012	2013	2014
Estonia	100216	103833	108884	112760	113765
Latvia	536096	531384	573580	584281	619684
Lithuania	61546	64955	61063	63886	66386
Total	697858	700172	743527	760927	799835

Country	2015	2016	2017	2018	2019
Estonia	117398	120450	127622	131650	unknown
Latvia	633450	634958	640498	unknown	unknown
Lithuania	74478	77880	81291	81464	82924
Total	825326	833288	849411	-	-

Source: Central Statistical Bureau of Latvia (<http://www.csb.gov.lv/>); Lietuvos statistikos departamentas (<http://www.stat.gov.lt/>); Official Statistics Estonia (<http://www.stat.ee/>)

Estonia has the largest number of microenterprises with fewer than 10 employees (Table 6).

Table 6: Enterprises in the statistical profile by number of employees (Estonia), 2010-2018

Number of employees	2010	2011	2012	2013	2014	2015	2016	2017	2018
50-249	1 088	1 114	1 115	1 126	1 162	1 200	1 184	1 150	1 172
10-49	5 551	5 533	5 705	5 793	5 874	6 281	6 293	6 391	6 548
Less than 10	93 428	97 021	101 891	105 659	106 538	109 722	112 777	119 887	123 744
Total	100 216	103 833	108 884	112 760	113 765	117 398	120 450	127 622	131 650

Source: Official Statistics Estonia (<http://www.stat.ee/>)

In Lithuania, the opening of microenterprises with the number of employed less than 4 people is leading (Table 7).

Table 7: Number of enterprises in operation at the beginning of the year (Lithuania), 2010-2018

Number of employees	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
0–4 employees	32972	38402	35145	36870	38659	45743	48593	51458	51436	53249
5–9 employees	13886	13868	13772	14164	14666	15287	15591	16040	16316	15974
10–19 employees	8227	7368	7041	7479	7618	7912	8084	8107	7910	7965
20–49 employees	5431	4524	4358	4562	4643	4715	4766	4826	4934	4888
100–149 employees	596	480	473	493	486	492	507	510	509	503
150–249 employees	434	313	274	318	314	329	339	350	359	345
Total	61546	64955	61063	63886	66386	74478	77880	81291	81464	82924

Source: Lietuvos statistikos departamentas (<http://www.stat.gov.lt>)

It is worth noting that microenterprises, with a staff of up to 10 people – the main employer in the European small and medium-sized businesses. The number of employees in these companies is close to the number of employees in large companies.

In terms of economic activities in Estonia are leading: wholesale and retail trade; repair of motor vehicles and motorcycles (18 510); agriculture, forestry and fishing (12 560); professional and scientific and technical activities (12 107) and construction (9 145), it is worth noting the increase in the number of enterprises in these industries by an average of 30% over 8 years. In Latvia, the largest number of small enterprises (40,611) were registered in the service sector, in second place – wholesale and retail trade (2,052), in third place – professional, scientific and technical activities (12,331) and real estate activities (11,567). Lithuania is dominated by production, trade, transportation and storage, administrative and support activities.

Small and medium-sized enterprises of the Baltic countries direct their goods and services to the domestic market more than before - 79% in Latvia, 76% in Estonia and 71% in Lithuania. In the innovation sector, the preference is given to renewal in terms of goods and services - 35% of enterprises in Estonia, 32% in Lithuania and 21% in Latvia, although interest in innovation in this area has decreased in all countries. In 2017, business model innovation in Lithuania increased slightly (from 7% to 11%) and innovation aimed at employee development in Latvia (from 12% to 16%). Almost two thirds of entrepreneurs

predict a decrease in turnover, one in five companies plans to reduce the number of employees, and 40% of small and medium-sized enterprises in Latvia are not ready to invest in the development of their business.[11]

Board member of SEB Bank Arnis Shkapars: "in the segment of small and medium-sized enterprises there is activity with a tendency to growth. In 2016, we provided 213 million euros as loans to small and medium-sized enterprises of Latvia, which is 18% more than in 2015." Dainis Gaspuitis, macroeconomics expert at SEB Bank, believes that the turnover of small and medium-sized businesses will be positively affected by more active consumption and growing purchasing power.

The procedure for registering a company in Latvia is 1 day, in Lithuania 2 days, in Estonia-13.5 hours. The average registration fee for a start-up entrepreneur in Estonia is 183 EUR, an additional fee for 190 EUR for the accelerated service. In Latvia, accelerated services are services for registration of changes, registration of branches, liquidation of the company, the time period is 1 day. Currently using blockchain, it is planned to use a chatbot in the future; respondents of Latvia noted that artificial intelligence has been used since June 2018 in the form of a chatbot on the Facebook page and the official website of the register of enterprises.[14]

According to Rolands Petersons, the development of small business in Latvia is hampered by tax policy and bureaucracy. S. Stradina identifies the following limiting factors for the further development and expansion of the production of small enterprises: narrow markets, insufficient demand for Latvian goods are among. [8, 13]

According to Latvian scientists, the main serious barriers to starting a business in the Baltic States are: low-skilled employees, complicated tax system, too much government intervention/bureaucracy, weak economy, availability of financial capital, strong competition, lack of marketing training and short-term capital, complex process of enterprise registration. At the same time, entrepreneurs without experience assess the importance of the barrier "weak economy" is very important than entrepreneurs with experience of 1-5 years. The main obstacles to starting a business are: infrastructure and unfavorable business environment; lack of knowledge and skills in management; lack of financial sources. [2]

Among the main problems that every day have to cope with representatives of Estonian small and medium-sized businesses, Petra Holm calls the high workload in the field of wages and lack of skilled workers. Katarina Holm

considers the problem that a significant part of small and medium-sized enterprises, are subcontractors for large enterprises, in her opinion, to abandon this business model. Raivo Altmets, Executive Director of the Association of small and medium-sized entrepreneurs of Estonia, points to the problems of high taxes, limited access for small businesses to financial loans in banks and bureaucracy. [6]

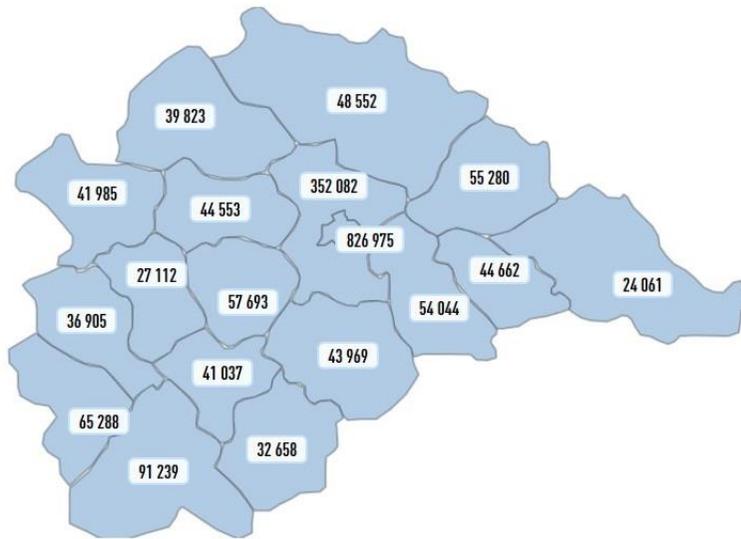
The factors hindering the development of entrepreneurship, a number of experts in Estonia include: a fairly high tax burden - 56 %; the search for niches for products and services - 43%; unpaid bills, delay on the part of customers paying their bills - 39%; encumbrance of legislation and excessive bureaucracy - 38%; problems with the availability of funds - 34%. [10]

Moscow is the undisputed leader of the rating in the number of registered SMEs, in terms of performance of their closest pursuers (St. Petersburg, Moscow region, Krasnodar region, Rostov region), is a large business, scientific, financial and industrial center, has many Universities in almost all specialties; an innovative cluster and a single IT-platform have been created.

According to the Unified register of small and medium-sized businesses of the Federal tax service, in May 2019 in Moscow operated 554.3 thousand small and medium-sized companies (3% more than at the beginning of the year), or almost 20% of the total in the country.

The number of SMSP is about 1/5 of the total number of enterprises and organizations in Moscow, SP – less than 2% of the economically active population. In General, SMEs provide no more than 10% of tax revenues to the budget of Moscow.

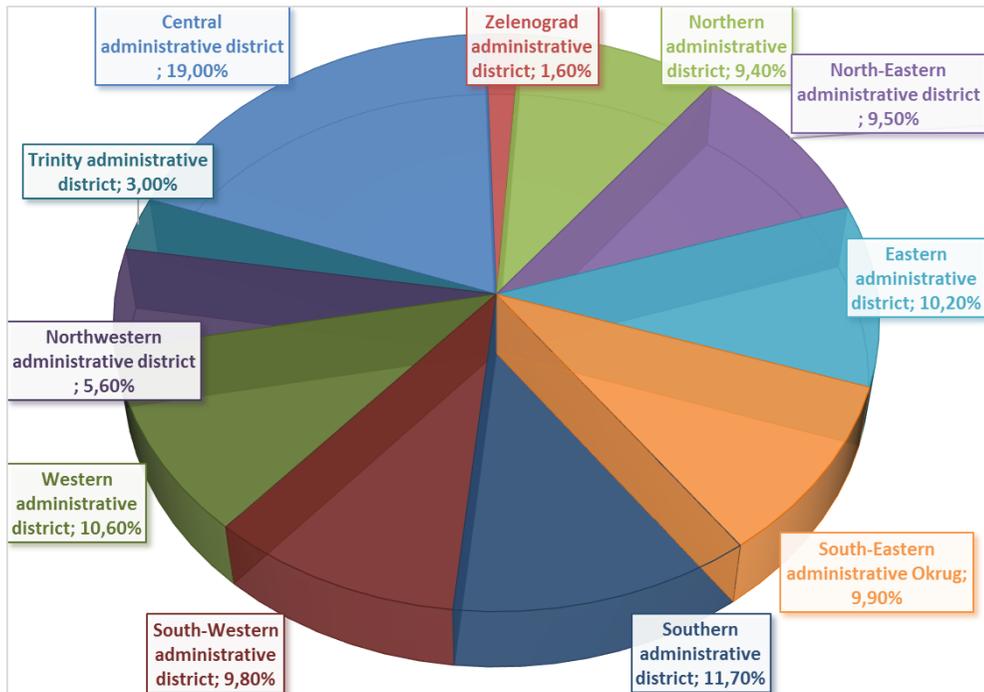
According to the unified register of subjects of small and medium enterprises as at 10 May 2019 (Figure 1) in the Central Federal district Moscow leads in the number of registered SMEs (826 975), on the second place Moscow oblast (352 082), the third place – the Voronezh region (91 of 239). The smallest number of SMEs registered in the Kostroma region (24 061).

Figure 1: Number of registered SMEs in the Central Federal district

Source: Unified Register of small businesses

At the same time, on the territory of Moscow, the entrepreneurial potential of small businesses is distributed very unevenly. The quantitative structure of small business in administrative districts of Moscow are different (Figure 2), such differentiation on the level of development of small business in different districts of Moscow is associated with different circumstances – primarily economic infrastructure and the social functions of certain urban areas (there are different shopping and recreation and a representative zone in the city center, industrial areas, "dormitory" suburbs, etc.). Another reason for this spread is the different attitude of local authorities – prefectures, administrations-to the problems and needs of small enterprises. In those areas where local authorities are actively working with representatives of the business community to identify and eliminate "bottlenecks" (primarily, such as lack or substandard quality of space for the placement of MP, lack of information on taxation and reporting, urban procurement, etc.), it is possible, other things being equal, to have a higher density of small businesses per 1000 residents, and accordingly – more jobs, higher and closer to the population level of service.

Figure 2: Quantitative structure of small businesses by administrative districts of Moscow



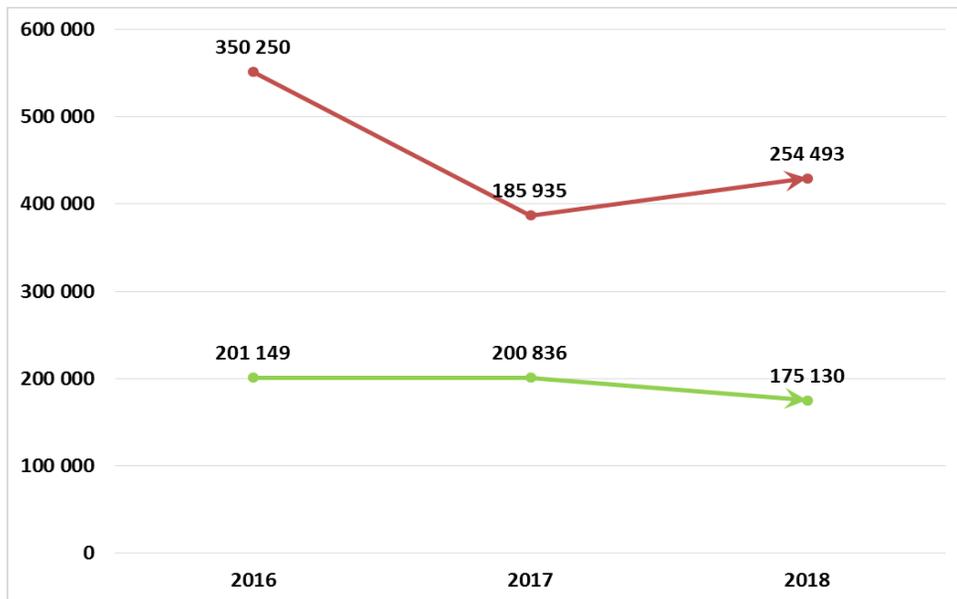
Source: Department of industry and investment policy of Moscow

In Moscow, there are 37 active small enterprises per 1000 people, lower than the world average (32), 2 times lower than in the EU (57), 3 times lower than in the United States. The number of entrepreneurs per 1000 people of working age and older – 40 people. Net inflow of active companies from other regions (% of the number of active companies in this region in 2017) – 0, 16%. The average number of employees in small enterprises of 10 June 2019 in Moscow amounted to 2 642 632 people.

In 2018, there is a 1.4-fold increase in the number of enterprises closed, while there is a decrease in the number of enterprises closed by 13% compared to last year (Figure 3).

Moscow occupies the 14th place in the list of FinExpertiza at the highest negative number starting small businesses, and last year opened more than 88 thousand companies, and closed down 2.7 times more - over 234 thousand.

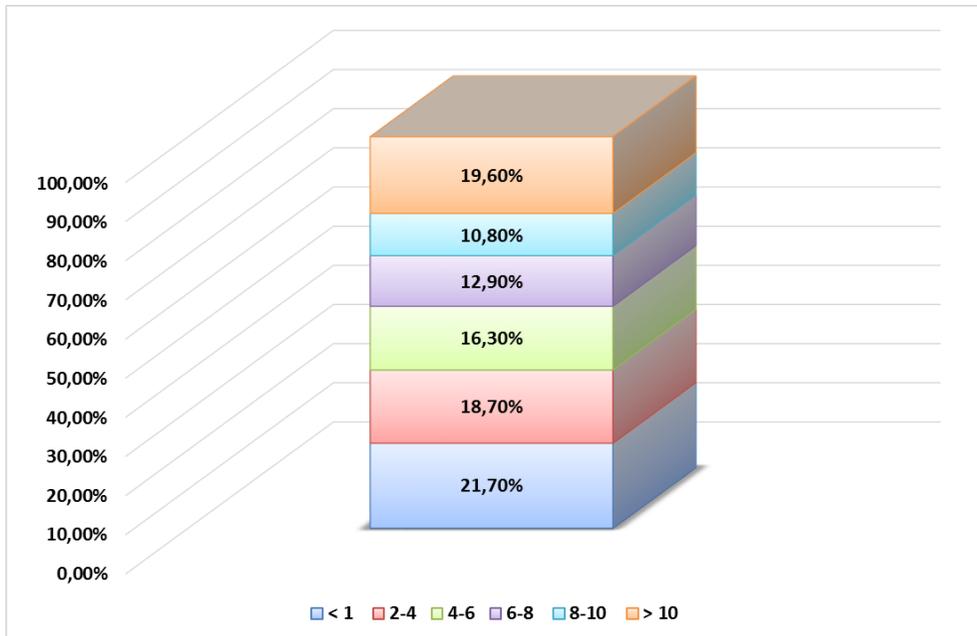
Figure 3: Ratio of liquidated and new small businesses in Moscow



Source: Department of industry and investment policy of Moscow

According to the global monitoring (GEM) in 2018 in Moscow, 75% of companies and sole traders closed due to loss-making business due to high taxes, including quasi-taxes, high money prices and falling demand. Participation in the procurement of small businesses for the needs of government customers is at an extremely low level.

Of the total number of small businesses operating in the market for more than 6 years – 43.3%, 2-6 years-25%, 21.7% - are young businesses operating less than a year (Figure 4).

Figure 4: Number of SMEs by age

Source: Department of industry and investment policy of Moscow

The total number of legal entities operating in Moscow related to SMEs by the end of 2018 increased by 2.6 times compared to 2010 data. Assessment of the dynamics of small businesses in Moscow on the basis of statistics is complicated by the fact that more than a year ago, the government of the Russian Federation has changed the classification, and a significant part of small businesses fell into the category of microbusiness, and part of medium-sized businesses was attributed to small. The number of medium-sized enterprises by the end of 2016 decreased by 3.4 times compared to 2010, and by 2018 increased by 4.4 times compared to 2016 (Table 8).

Table 8: Number of micro, small and medium enterprises in Moscow (2010-2018)

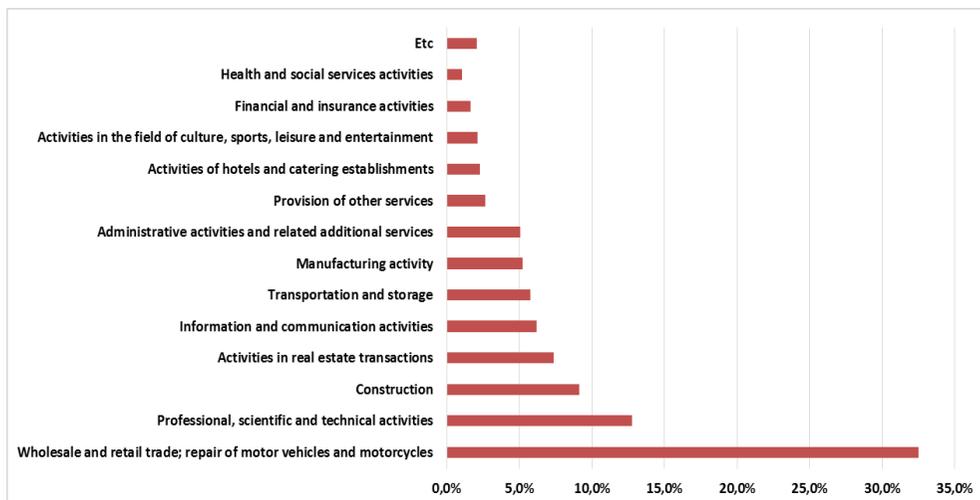
Characteristic	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
Total number of SMEs-legal entities (excluding individual entrepreneurs), units	204982	244788	241977	242662	246216	271207	517326	561547	538549
Number of small enterprises, units	201840	243978	241282	241973	245471	270540	516402	556927	534515
Number of microenterprises (including small enterprises), units	170388	205922	209382	211808	211982	251983	497845	526491	492978
Number of medium-sized enterprises, units	3142	810	695	689	745	667	924	4620	4034
The number of individual entrepreneurs, units	57276	81659	103758	104942	117535	no data	112235	175077	254834

Source: Federal state statistics service

In the structure of small enterprises of Moscow by types of economic activity, the predominance of organizations with the type of activity "Wholesale and retail trade", "professional, scientific, technical" And "Construction" (Figure 5) is noted. These activities significantly dominate the share of other sectors in Moscow (more than 55% of all registered SMEs). The structure of Moscow SMEs is imperfect: the share of manufacturing enterprises, health care enterprises, financial, insurance, social and other types of services is low.

There has been a marked structural shift in trade in favour of networked retail sectors, which have significant competitive advantages and pose a threat to small and medium-sized businesses in trade. SMEs in trade find it difficult to remain competitive with large chain stores.

A comparison of Moscow's economy dominated by small and medium-sized enterprises shows that the services, production and agriculture sector in Moscow is significantly inferior to the Baltic States.

Figure 5: SMEs of Moscow by type of activity


Source: Unified Register of small businesses

The total contribution of SMEs to employment is about 25-27%. In 2014, the SP provided the places an average of about 2 persons, microenterprises 3,4 person, small businesses 21,8 person, medium-sized enterprises 130,1 people.

The average number of employees of small enterprises by 2018 increased by 13% (compared to 2010), the average number of employees of microenterprises increased by almost 1.6 times, the average number of employees of medium-sized enterprises decreased by more than 2 times in 2014 compared to 2010, in 2016 increased by 2 times compared to 2014 (Table 9).

Table 9: Average number of employees of micro, small and medium enterprises in Moscow

Characteristic	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average number of employees of small enterprises (thousands of people)	1268,9	1408,2	1578,4	1576,7	1603,9	no data	1468,7	1659,8	1677,5
Average number of employees of microenterprises (thousands of people)	523,7	637,2	794,9	792,7	811,8	no data	1008,6	804,6	833,0
Average number of employees of medium-sized enterprises (thousands of people)	220,7	130,2	107,6	104,3	103	no data	208,8	no data	no data

Source: на основании данных Федеральной службы Государственной статистики

According to the Unified Register of small businesses on 10 July 2019, the largest number of SMEs in Moscow is micro-enterprises (Table 10).

Table 10: Number of legal entities and individual entrepreneurs as of July 10, 2019)

	Total	from them	
		Legal entity	Individual entrepreneur
Total	828 537	548 728	279 809
The sum of the average number of employees	2 151 199	2 069 455	81 744
Having the sign " newly created"	236 994	134 702	102 292
Microenterprises	784 079	505 023	279 056
The sum of the average number of employees	1 114 409	1 050 839	63 570
Having the sign " newly created"	236 994	134 702	102 292
Small enterprise	40 580	39 834	746
The sum of the average number of employees	795 687	778 019	17 668
Having the sign " newly created"	0	0	0
Medium enterprise	3 878	3 871	7
The sum of the average number of employees	241 103	240 597	506
Having the sign " newly created"	0	0	0

Source: Unified Register of small businesses

As a result of changes in the legislation, formally, the number of small businesses has increased due to changes in the criteria for attribution of the organization to this group. After the amendments to the law on August 1, 2016, the number of small businesses has increased significantly by moving to this category of a large number of medium-sized enterprises. [16] the number of applicants for state support has increased Accordingly. However, the effectiveness of state support measures can only be assessed as satisfactory. The study of the effectiveness of state support programs showed that every fourth region of their 83 was classified as a group of non-effective measures of state support. The volume of lending to small businesses by banks, which shift the focus of their attention to large investment projects, is decreasing.

The problems encountered in the support of the state of small business: a progressive imbalance between the increasing number of small businesses on formal grounds and the reduction of state support and credit, the low efficiency of government support programs, the displacement timing of the receipt of funds at the end of the financial year, the difficulties in the disbursement of funds for small businesses, increase interagency coordination to eliminate "double" funding (each of the Ministries has its own program of support of

small business, for participation in which each small business entity can apply), which leads to an increase in the period of development of budget funds.

The requirement to publish information on the possibilities of state support on the Internet is fixed by the Ministry of economic development, but it is necessary to use other ways of communicating information.

The small size of the enterprises determine their peculiarities of specialization, and application management functions, the implementation of modern approaches to production and business, given its limited resource capabilities and as a consequence of increased threats to business and other risks.

Factors affecting the negative development of small and medium-sized businesses in the regions: insufficient state support, a significant backlog of technology development, lack of modern information technologies, low level of marketing activities, increased number of risks, low level of management efficiency, low demand for small business services by large enterprises.

3 RESULTS

There are significant differences between small businesses operating in the Baltic States and in the Moscow agglomeration. At the level of the national economy, this is reflected in the growing level of monopolization of the economy, in the underdeveloped infrastructure for doing business, in the lack of experience in applying the regulatory functions of tax policy. Russian organizations often combine several types of activities, have a low level of technical and technological equipment, a low level of management, business ethics, etc.

No less important problem is the lack of a unified system of integrated monitoring and quality control of public services for the development of small and medium-sized businesses, which does not allow to create effective, permanent communication channels to receive feedback from entrepreneurs, and fully analyze and take into account their real needs, promptly and timely respond to changes in the environment of small and medium-sized businesses and take corrective actions to improve the situation.

The presence of a large number of factors and problems of small business development, not all of which can be objectively assessed, causes the need to improve the effectiveness of the state policy of small business development for the timely prevention of danger, mitigation and adoption of preventive preventive measures to protect and combat corruption. In the Moscow

agglomeration and the Baltic States there is a problem of improving the quality and transparency of public policy for the development and protection of the interests of small and medium-sized businesses. The government of the Russian Federation needs to ensure the efficiency and transparency of not only the Federal ministries, but also the industrial development Fund, the SME Corporation, the SME Bank and a number of other state institutions to support small and medium-sized businesses.

The state financial policy of small business development should include the following support measures: the orientation of the tax policy to attract international investors, the implementation of taxation on a territorial basis, a preferential tax regime for promising start-UPS, an increase in long-term lending to small businesses, including concessional loans with state support, concessional lending to social entrepreneurship, credit insurance, subsidies, capability vouchers, grants for research and development, crowdfunding platform. State non-financial policy should be aimed at promoting entrepreneurship, combating corruption in the Executive bodies of state power, the development of regional science cities, the allocation of special zones of the regional level and territories of advanced development.

Ensuring sustainable growth of the small business sector in the Russian Federation and the Baltic States depends on the coordinated work of all levels of government and joint cooperation of various institutions involved in the infrastructure of development and support of small business.

4 DISCUSSION AND CONCLUSION

For the Russian state policy in the sphere of support and development of entrepreneurship, the problem of forming a system of internal control and monitoring of the quality of consulting support for entrepreneurs, ensuring effective control and monitoring of the quality of work of employees of Executive authorities and their subordinate institutions that support entrepreneurship is relevant, the active use of proven in the framework of the State budget institution of Moscow “Small business of Moscow” tools to assess the quality of support for small and medium-sized businesses: Customer Satisfaction Index (CSI), the index of loyalty of entrepreneurs (Net Promoter Score - NPS); SERVQUAL and “Secret visitor” [1] .

CITATION LIST

- [1] AVERIN A.V., GRIGORIEVA V.V. Tools for Evaluating the Quality of Public Services in the Sphere of Small and Medium-Sized Business Support and Promotion Authors Proceedings/International Scientific Conference "Far East Con" (ISCFEC 2018). Advances in Economics, Business and Management Research. 2019/01/27
- [2] BIRUTA, S., AVOTINS, V. *Analysis of barriers for business start// European Integration Studies* 2016/10 [Online]. Available at: www.researchgate.net. [cit. 21.8.2019].
- [3] BOBIT, D.M., CIUFU, M., GHINEA, V., LICITE, L., MUSKA, A. and other. *Entrepreneurship in Rural Areas through the production and exploitation of medicinal and aromatic plants.-*, RigaSIA «Zelta Rudens Printing» 2018. 258 p.
- [4] *Estonians open two times more enterprises compared to its Baltic neighbours* [Online]. Available at www.dv.ee. [cit. 24.8.2019].
- [5] *Experience in the development and support of social entrepreneurship in Estonia// the ODB Brussel* 2019-01-29 [Online]. Available at: <https://by.odt-office.eu>. [cit. 1.8.2019]
- [6] *How do small entrepreneurs live in each of the three Baltic republics* [Online]. Available at: <http://novayagazeta.ee/articles/11576/> 2 декабря 2016 [cit. 10.8.2019]
- [7] *Official website of Latvian chamber of Commerce and industry* Available at: <https://www.chamber.lv/ru> [cit. 10.8.2019]
- [8] PETERSONS, R. *Opinion: the Development of entrepreneurship in Latvia inhibit tax policy and bureaucracy //Laikraksts Dienas Bizness/* - 30.05.2018
- [9] REPORT DOING BUSINESS 2019 [Online]. Available at: www.doingbusiness.org [cit. 2.8.2019]
- [10] SEAL, T.R., SAVENKOVA T.I. *The European experience of ensuring economic security// Innovative development of economy* No 6(36) Part 2 –2016. C 219-229. [Online]. Available at: www.ineconomic.ru [cit. 25.8.2019].
- [11] SEB research «*Barometer entrepreneurship in the Baltic countries*» [Online]. Available at: www.seb.ee. [cit. 12.8.2019]

- [12] Statistics portal of the Republic of Latvia. [Online]. Available at: www.lursoft.lv. [cit. 24.8.2019]
- [13] STRADINA, S. *Innovative development in Latvia: analysis of problems and directions of formation of national innovation policy*// Marketing I management novaci, 2015, No 3. Baltic international Academy (Riga, Latvia)
- [14] The International Business Registers Report 2018. [Online]. Available at: www.ebra.be. [cit. 24.8.2019]
- [15] The Ministry of Economics in Latvia. [Online]. Available at: www.em.gov.lv. [cit. 10.8.2019]
- [16] The Federal law of July 24, 2007 N 209-FZ "About development of small and medium business in the Russian Federation" (with changes and additions)
- [17] What life is like for the small businesses in each of the three Baltic republics//New Newspaper the Baltics [Online]. Available at: www.novaygazeta.ee [cit. 9.8.2019]

AUTHORS

Assoc. Prof. Alexander Averin, Doctoral Study, Programme of Regional Economy and Economic Policy, Baltic International Academy, Lomonosova street 4, Riga, Latvia, Candidate of Sciences in Philosophy, Deputy Dean of the faculty of international tourism, sports and hospitality, Financial University under the Government of the Russian Federation, e-mail: AVAverin@fa.ru.

Dr.oec., Prof. in Regional Economics Inna Stecenko, Science prorektor and director of the doctoral program "Regional Economics and Economic Policy", Baltic International Academy, Lomonosova street 4, Riga, Latvia, e-mail: i.stecenko@yahoo.com.

Assoc. Prof. Valentina Grigorieva, Candidate of Sciences in Economics, Department of Economics, The Russian Presidential Academy of National Economy and Public Administration (RANEPA), Office 1700, Block 9, 84 Vernadsky Prospekt, Moscow, e-mail: vallsheff@mail.ru .