



GLOBAL JOURNAL OF HUMAN-SOCIAL SCIENCE: H
INTERDISCIPLINARY

Volume 18 Issue 3 Version 1.0 Year 2018

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals

Online ISSN: 2249-460X & Print ISSN: 0975-587X

Formation of Effective Model of small Businesses and Entrepreneurship' Regulatory Environment in the Russian Federation under the Wec and the usa Sanctions

By Albov Aleksey & Inna Zaikina

Institute of World Civilizations

Abstract- *Thematic justification:* Issue of entrepreneurship development is stated under the sanctions, aimed at interstate socio-politic processes, transformation of participants' interest in the framework of domestic policies, balances of loss and strategic- manufacturing, law regulatory methods in business, could be considered as one of the methods of business entities' recourse and interest defense, which exist in entrepreneurship legal regime.

Thus the article validates implementation of effective model of small businesses and entrepreneurship' regulatory environment and minimization of section politics' negative results.

The research method is methods of comparative legal analysis of regulatory system, based on business investigation mathematic models in Russia, scientifically proving results on positive and negative points of business regulations, revealing degenerative processes in the prospects of business and government interaction.

Keywords: *sanctions, legal policy, business and government, business under the sanctions, legal regulation of small businesses in russia.*

GJHSS-H Classification: *FOR Code: 150314*



FORMAT | ONDFEFFECTIVEMODELOFSMALLBUSINESSESANDENTREPRENEURSHIPREGULATORYENVIRONMENT | IN THE RUSSIAN FEDERATION UNDER THE WEC AND THE USA SANCTIONS

Strictly as per the compliance and regulations of:



© 2018. Albov Aleksey & Inna Zaikina. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unported License (<http://creativecommons.org/licenses/by-nc/3.0/>), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

Formation of Effective Model of small Businesses and Entrepreneurship' Regulatory Environment in the Russian Federation under the Wec and the usa Sanctions

Albov Aleksey ^α & Inna Zaikina ^σ

Abstract- Thematic justification: Issue of entrepreneurship development is stated under the sanctions, aimed at interstate socio-politic processes, transformation of participants' interest in the framework of domestic policies, balances of loss and strategic- manufacturing, law regulatory methods in business, could be considered as one of the methods of business entities' recourse and interest defense, which exist in entrepreneurship legal regime.

Thus the article validates implementation of effective model of small businesses and entrepreneurship' regulatory environment and minimization of section politics' negative results.

The research method is methods of comparative legal analysis of regulatory system, based on business investigation mathematic models in Russia, scientifically proving results on positive and negative points of business regulations, revealing degenerative processes in the prospects of business and government interaction.

Key results are determined by the scientific model of sanctions' impact estimation, indicating the absence of in-place legal mechanisms of effective business insurance; hyper-management, corruption, regional inadequacies of regulatory policies - all these is a real obstacle for business sphere development and negative economic consequences alleviation under sanctions.

Materials dissemination: In legal policy - making as well as prospective international cooperation within the potential project creation, also for the analysis of future international investment strategy towards Russian economy, and under-the-sanctions analysis of crucial socio - political tendencies.

Keywords: sanctions, legal policy, business and government, business under the sanctions, legal regulation of small businesses in russia.

I. INTRODUCTION

Recently business development tendencies in Russia are determined not only by external factors, but also by continued impact of interstate negative tendencies. Their specific feature is dependence on external environment, including proper

Author α: D.J.S. Prof., Prof. dean of the Faculty of the Modern Law, head of the Department of Civil and Legal Disciplines, Institute of World Civilizations, Moscow, Federacja Rosyjska.

Author σ: PhD doc, dean of the Faculty of the Modern Law, head of the Department of Civil and Legal Disciplines, Institute of World Civilizations, Moscow, Federacja Rosyjska. e-mail: aap62@yandex.ru

limited financial background and demand for additional high-priced borrowed financial resources.

As a result, geopolitical processes, as territorial integrity of states with inevitably high risks, should be taken into consideration. In these circumstances government support for maintaining business development should be put forward as a priority.

Entrepreneurship provides constant economic growth, improvement of the quality of life. However today, entrepreneurship is dependent on political decisions and sanctional policy of the WEC and the USA, RF product embargo in return. (November, 2017). On the one hand, it makes Russian economic growth difficult, on the other hand, opens the door to strengthening the business area. Western countries have stronger small businesses as opposed to Russia, thus the necessity of increase of small business entity number is growing wider within the RF business sector.

In that context it is necessary to analyze existing mechanisms and find adequate ways of improving of legal regime of business governmental support in the Russian Federation.

It is also necessary to refer to economic trends for determination of legal policy development thrust, international ground should be also scanned in this situation as well as interstate social strain. Modern researchers make some deductions, proving the leading role of national state law and legal framework in the process of state development; it is proved that the society consists of its sphere of economic relations, and its form is political system and legal framework. Economy of law should be based on solid theoretical data, accumulating different subject area, and become «law politeconomy»¹.

Therefore, legislative analysis is considered the point of crucial importance, regulating business development in Russia. Its imperfection can provoke the economic gap to developing countries.

¹ Альбов А.П. Нормы культуры как источник и форма права.// Современный юрист. 2013.№ 4(5). С. 54-65.

II. MATERIALS AND METHODS

a) *Methods of Research*

Comparative method of basic law institutions, hermeneutics of normative acts, analysis of empirical data, summary of crucial information within business research process are the main theoretical methods used in the study; together with law model building, graphic presentation of results.

b) *Empirical Data of Research evolves*

Agents and business organizations' expectations: key elements, factors and consequences. Opinion poll was held by authorial questionnaire.

Total amount of respondents – 980, male - 58%, female – 42%. Age - 18 – 55 y.o., average age – 33 y.o., respondent coverage - 26-36 y.o.. Residential status: Moscow – 45% (of respondents); Smolensk, Tver', Ryazan, Yaroslavl - (12%), Saint- Petersburg (43%). Economic sectors, which respondents are involved in – finance (25%), construction - (12,0%), food industry (13,0%), production of goods (15,0%), commerce (15%), small businesses (20%). Among the respondents 76,4% are specialists , 17,6% - headers 1-2 – executive stuff, 5,6% - heads of small groups (up to 3 people) and 0,4% -heads of Depts., etc. Average employment history - 11,5% total (in professional sphere) - 5,8%, open- term employment contract - 81,1%, 13,5% - temporary contract (from 1 to 5 years), 5,2% -employment contract for less than 1 year, 2 respondents admitted themselves working on verbal agreement.

As for education basis, 36,7% of respondents have middle-school course background, 1,7% - second middle-school course background, 98,3% - respondents with higher education, 1,4% - second higher education, 5,8% - PhD graduates and PhDs.

c) *Normative Base of Research*

Direct relation to market regulation has a number of articles of the Constitution that establish the legal foundations of a single Russian space: 1) Article 8 - on the unity of the economic and legal space of Russia; on the diversity of forms of ownership; 2) Article 9 - on private ownership of land; 3) Article 15 - on the compliance of national legislation with generally accepted principles and norms of international law; 4) Article 74 - on the free movement of goods, services and financial resources on the territory of the Russian Federation.

Civil legislation is represented by the Civil Code of the Russian Federation, the fundamental code of laws on forms and conditions of entrepreneurship. The Civil Code establishes the right of citizens and their associations to engage in business as their absolute private law; guarantees to each subject the rights of genuine property and personal rights that are not subject to intrusion into this sphere of the state; gives the right to own any property without restriction of its composition, quantity and value, and restrictions on

certain objects can only be for reasons of public good and security; finally, provides protection among other personal benefits of business reputation and entrepreneurial secrecy.

Legislative acts Federal Law No. 209-FZ "On the Development of Small Business in the Russian Federation", No. 88-ФЗ "On State Support of Small Business in the Russian Federation", Resolution of the Government of the Russian Federation of May 11, 1993 No. 446 "On Priority Measures for Development and state support of small business in the Russian Federation ", Decree of August 6, 2014 No. 560" On the application of certain special economic measures to ensure the security of the Russian Federation ", Decrees of the President of the Russian Federation of June 24, 2015 No. 320 and of June 29, 2016 No. 305 "About the Prod the Resolution of the Government of the Russian Federation of 07.08.2014 No. 778 "On measures to implement the Presidential Decree of August 6, 2014 No. 560, of June 24, 2015, No. 320 and from June 29, 2016 No. 305 "(as amended and supplemented); No. 232-ФЗ "On Amending Article 12 of Part One and Part Two of the Tax Code of the Russian Federation"; documents of state bodies and political parties; statistical data of various ministries and federal agencies; materials of sociological research (VCIOM), Public Opinion Foundation (POF); various information materials: publications of foreign, Russian and regional press.

d) *Study phase*

i. *The study has 3 phases*

Phase 1 – collecting and analysis of empirical data, theoretical analysis of existing methodological approaches in law, economic and politological scientific works, issue highlight, aim determination, research methods determination, plan making;

Phase 2 – expert- analytics, analysis, verification and specification of results, flowing from collecting and analytical process of empirical data;

Phase 3 – completion of empirical data processing, specification of theoretical and practical results, the results systematized.

III. RESULTS

a) *Structure and Content of the Model*

In the Unified register of entities for small and medium entrepreneurship in Russia 5 925 282 SMEs entities were registered (February, 2017), total amount contains 5 636 789 entities of micro-enterprises (95%), 267 558 entities – small enterprises (4,5%), 20 935 – medium enterprises(0,4%). Self-employed entrepreneurs -3 074 668 of small and medium business entities (52%), corporate bodies – 2 850 614 (48%).

SMEs amount was growing from August 1, 2016 to February 10, 2017 in 401 517 of economic entities (7,3%). This dynamics is closely connected with 2016 political measures.

Subjects of small and medium-sized business in Russia, Feb 2017

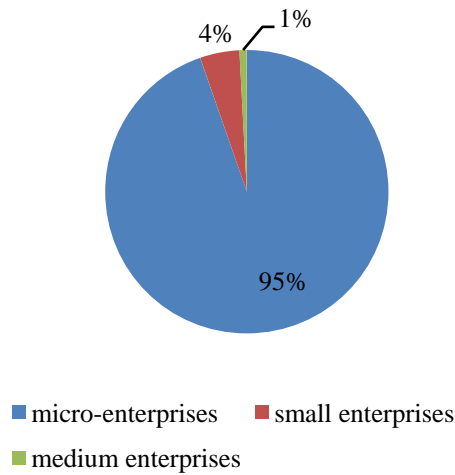


Fig. 1

Subjects of small and medium-sized business

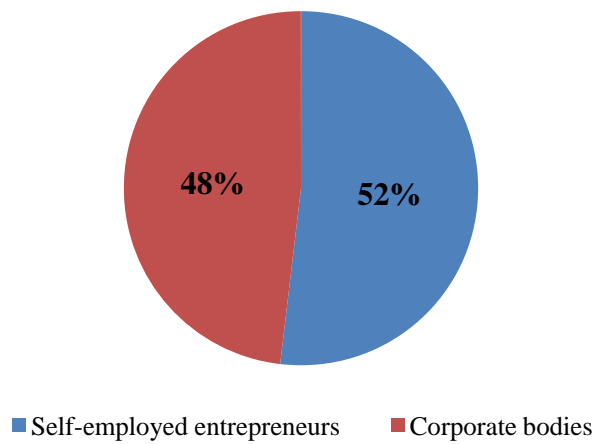


Fig. 2

Dynamics of increasing the number of small and medium-sized businesses

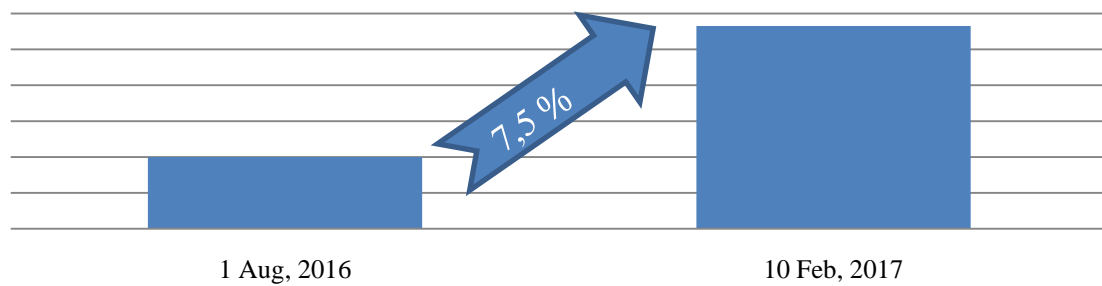


Fig. 3

The sector development accelerates market improvement and technological and organizational mobility; creates competitive conditions, provides commerce progress. Besides, small entrepreneurship is a solid ground for social stability, ministrant to reduction of strict stratification of society, weakening of unemployment and instability.²

It should be mentioned that despite of entrepreneurship importance for economy sector, small and medium entrepreneurship contribution to Russian economic development is substantively lower, than it is

in most part of developed and developing countries (Please, see the figure below).The only explanation is that small and medium entrepreneurship in Russia is represented by micro- enterprises, (94, 2% of total amount of entities). Small and medium enterprises cover only about 6-7 % of total number of basic funds and less than 7-8 % of total investment volume to state capital. Research shows that workforce productivity level in medium businesses is twice- three times lower than in developed nation states.

Cross section of business sector in state domestic economy (%)

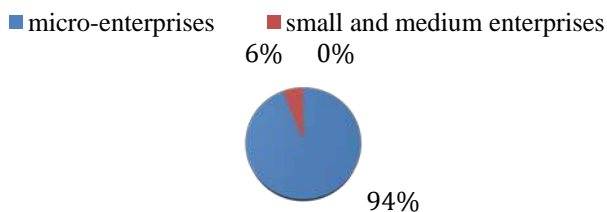


Fig. 4

Moreover, negative tendencies in small entrepreneurship, as we think, were predetermined with administrative and economic barriers. Beurocratic procedures, absence of transparent legislative base and adequate institutional potential, constant checks- out, high fines and taxes – are the key obstacles for small entrepreneurship development in Russia. From the beginning of 2013 annual demanded superannuation contributions from SE in the RF were dramatically increased, without taking into consideration business fixed income, and came to 32 479,2 RUB. Later they decreased to 2072, 53 RUB. However, in Russia, resulting from obvious changes, over one and a half million enterprises were closed, still new ones did not eager to incorporate. It is wide known, blocking access to the capital market for the number of largest Russian banks was one of sanctions consequences that determined fast credit rates growth. As a result, today greater part of self-employers is offered credits at a rate of 25 % per annum. Modern economic paradigm entails no rejecting loan proceeds. It is also connected with bad competition practices when some producers 'withdraw into the shadows'.¹

If before geopolitical crisis business sector in Russia indicated exponent- growing development (more than 15% annually), then from 2014 rate of business agent change decreased a lot. For example, if in 2016 number of micro -enterprises practically did not have up-down leaps, then small and medium enterprises reduction equaled more than 84,8% (Pic. 3).

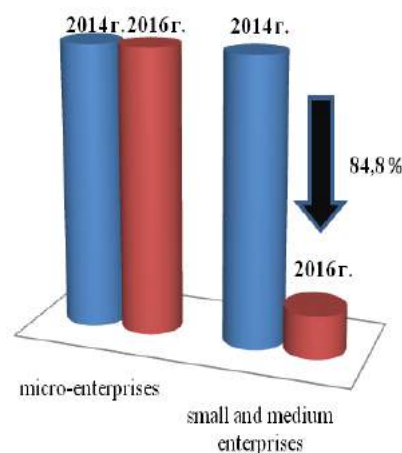


Fig. 5: Intensity of Entrepreneurship Sector Development in Russia, rate of expansion (%)

Together with subsidiary as strict measures of financial boost, it is possible to supply small and medium entrepreneurship by providing them with new infrastructure, e.g. material, taxation, producing-innovative, consulting etc. In 2015 SME financial provision with non- bearing grants was approximately 17 billion RUB.

Grants for capital facilities for small businesses was 1,6 billion RUB. In these circumstances, the Russian Federation actors, in the framework of SME's Project, by far shifted the Project stress ad preferred to construct techno parks, industrial parks, business incubators, centers of competence in innovation sphere, manufactures and farming, instead.

¹ Степашова А. Ю., Исакова Т. Е., Калуцкая Н. А. Влияние санкций на малый бизнес // Молодой ученый. — 2014. — №21. — С. 425-428.

b) Respondent Empirical Database Analysis

34% of Russian residents prefer self-employment, in 1991 — 29%. The rate of those, not wanting self-employment, had risen from 49% to 60%. It is admitted that 25 years ago Russians were not into all these “business- economics things”, therefore today's

just- starters make sense of entrepreneurship. The authors also put a focus on growth in number of potential business makers, having confidence about starting individual enterprise (from 35% to 71%). Number of respondents, who actively work on organizing individual business, twice as high (from 8% to 17%).

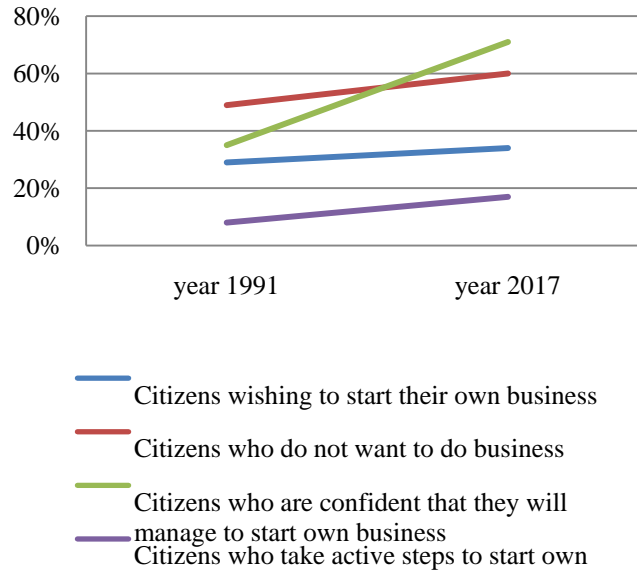


Fig. 6

As research shows, in global prospect the young in Russia are rather interested in business: 62% of respondents consider it possible to start their own business — while average global rate is 34%; 45% of Russian youth are not afraid of contributing to small business and enterprise.

Age (ready to contribute): 20-25 — 41,2%, 26-33 — 30,8%, 35-45 — 16,7%, 45-55 — 11,3%

The most attractive sphere for future business-makers is trade sector.

37,1% of future entrepreneurs want to be involved in this field;

24,5% – tertiary production (service production) 16,8%-manufacturing, development and implementation of innovative products– 15,2 % - handicraft industry , craft activities, agrarian and eco – tourism 4,2% – creation and development of supplement facilities for export-oriented business entities 2,2% - contributions to social entrepreneurship.

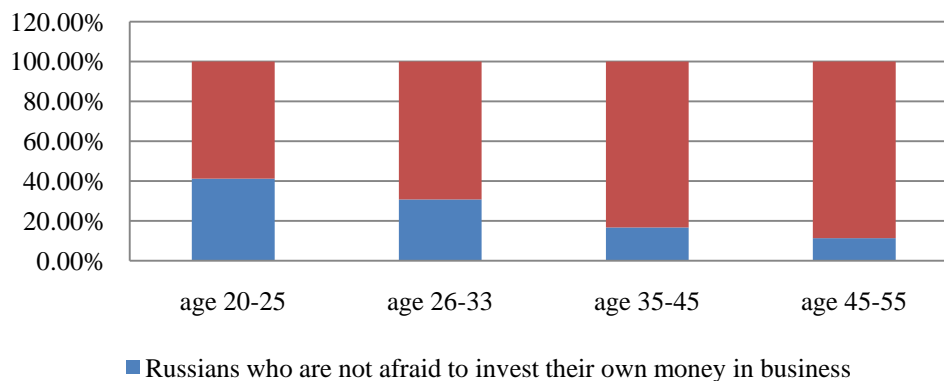


Fig. 7

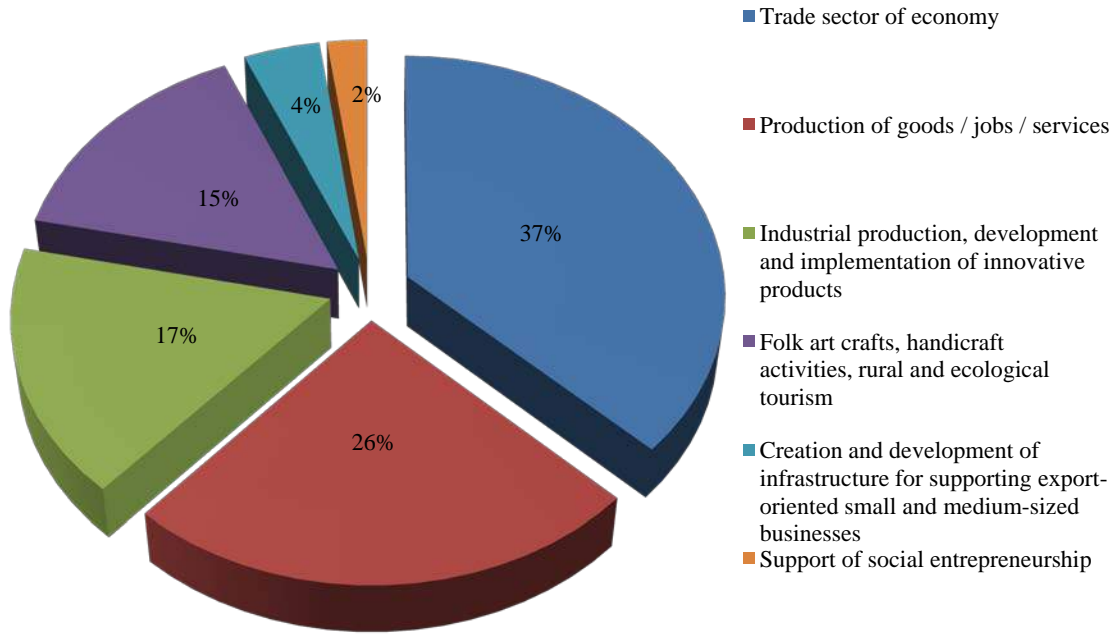


Fig. 8

c) *Evaluation of the Russian Federation juridical policy for SME development*

Among the positive innovations regarding the regulation of small business, on the basis of Federal Law No. 477-Φ3 of December 29, 2014 "On Amending Part Two of the Tax Code of the Russian Federation", one can note the granting to the constituent entities of the Russian Federation of the right to establish taxpayers registered as individual entrepreneurs and transferred to a simplified or patent system of taxation, a tax rate of 0%.

Also, the problems in the field of access to real estate have been eliminated: changes in the number of enterprises from small and medium enterprises, May 29, 2015, No. 156-Φ3, provide property support in the form of transfer to the ownership and / or use of state (municipal) property on a preferential basis in accordance with state programs (subprograms), as evidenced by Federal Law No. 209-Φ3 of July 24, 2007 "On the development of small and medium business in the Russian Federation" (as amended and supplemented, effective from 01.08.2016). Stagnation processes observed in a number of cases in line with the development of entrepreneurship in Russia were the result not only of the impact of the financial crisis in the country, but mainly of the strategy of the implemented state social and economic policy, which, according to the author's approach, does not fully take into account the interests of small and medium enterprises. As it was mentioned above, today in Russia in terms of the

quantitative composition of small businesses, is a progressive trend towards their decline, although the activities of small business organizations in the Russian Federation are regulated by a fairly extensive list of documents.

According to the Ministry of Economic Development of Russia, about 20,000 normative legal acts are adopted annually in our country, which makes certain industries overloaded with regulations and in some cases leads to unbalanced decisions. The introduced norms limited the entrepreneurial initiative and provoked the loss of economic sense of special tax regimes that had previously exempted a small business from paying three taxes: corporate property tax, profit tax and value-added tax. In addition, the provisions introduced are contrary to clause 7, section IV of the Strategy for the Development of Small and Medium-Sized Enterprises in the Russian Federation for the period until 2030, which provides for the provision of tax benefits in the framework of special tax regimes.

Due to the 04.04.2016 Decree of the Government of the Russian Federation No. 265 "On the marginal values of income received from the implementation of entrepreneurial activities for each category of small and medium businesses", the status of SME entity to legal entities and individual entrepreneurs will be automatically assigned, without passing administrative procedures related to the provision of additional documents. On 02.06.2016, in accordance with the Order of the Government of the Russian

Federation No. 1033-r, the Strategy for the Development of Small and Medium-sized Entrepreneurship in the Russian Federation for the period until 2030 is in place, aimed at creating a competitive, flexible and adaptive economy.

Also on 02.06.2016, article 346.32 of part two of the Tax Code of the Russian Federation was amended, according to which the special tax regime as a single tax on imputed income for certain types of activities was extended until January 1,

In order to counteract the sanctions imposed on the Russian Federation and to neutralize geopolitical tensions, the Government of the Russian Federation adopted Decree No. 98-r in 2015, which contained a number of anti-crisis measures, including those related to supporting small business development.

d) *Optimization and Consolidation of Legislative Acts in SME*

It should be admitted that entrepreneurship in Russia already has a fairly broad legal basis, but it is not enough. The problem is that it is one-sided and the legal aspects are not implemented, which makes it absurd to adopt any new regulations. As for the field of activity, the small business has its own niche in the economy, which provides the most effective return on work, both with whole giant enterprises, and with an individual. This position is due to the features and functions of a small enterprise.

The legislation of the Russian Federation on administrative violations has been amended to provide administrative punishment to subjects of SMEs solely as a warning. This measure will reduce the administrative burden on entrepreneurs focus on the prevention of administrative violations.

Decisions have been made that reduce the costs of entrepreneurs in connection with compliance with the requirements of the legislation on control and supervision activities: introduced the institution of preliminary verification of the complaint, other information on the violation of the mandatory requirements that was verified by the audited body (supervision); it is possible to apply checklists containing systematized mandatory requirements when conducting inspections with respect to standard facilities, the activities of which are carried out by small business entities.

In the procedures for assessing the regulatory impact and assessing the actual impact, mechanisms have been introduced to analyze the impact of the consequences of the adoption of regulatory legal acts on the activities of small and medium-sized enterprises ("SMEs"). The opportunities of small enterprises for the application of special tax regimes have been expanded. In particular, the threshold amount of income (up to 120 million rubles), as well as the marginal value of fixed

assets (up to 150 million rubles) for the application of a simplified taxation system, was increased.

Up to January 1, 2021, the taxation system was extended in the form of a single tax on imputed income, which would create predictable conditions for the activity of over 2 million taxpayers.

Simplified personnel records management in microenterprises (with a number of employed up to 15 people). Such enterprises are exempted from the obligation to approve local acts on labor law matters. Such a decision will reduce the financial burden in connection with the fulfillment of labor law requirements for 90% of small business entities.

For the first time in the field of small and medium-sized business development, a strategic planning document for the long-term perspective has been approved - the Strategy for the Development of Small and Medium-Sized Enterprises in the Russian Federation for the period up to 2030. This document is aimed at increasing the share of small and medium-sized enterprises in the gross domestic product by 2 times (from 20 to 40%), approved the target model for the direction "Support of small and medium businesses." Its implementation in entities of the Federation is planned for 2017.

In addition, the Presidium of the Council under the President of the Russian Federation for Strategic Development and Priority Projects approved the provisions of the priority project on the main direction of the strategic development of the Russian Federation "Small Business and Support for an Individual Business Initiative", providing for the implementation in 2017-2018 of measures to support both new and operating enterprises to increase the number of employees in small business.

In 2016 11,1 billion rubles was distributed to federal funds from the regional budget for subsidiaries, guaranties, microloans, implementation of institutional activities, forming SME supplement (business incubators, export centres, centres of competence in innovations and industry ,capital construction).

Branch of SME supplement regional organizations is extended: due to financing of 2016 321 centres of competence were created. These institutes provide wide spectrum of informative- consulting, social-oriented and financial and credit services in export as well as services for SMEs, involved in innovations and industry.

A resolution was adopted by the Government of the Russian Federation aimed at improving the procedure of transferring federal property to the entities of small and medium business. A multiple increase in the number of real estate objects included in the list of federal property intended to provide property support to small and medium-sized enterprises is expected. The launch of a single register of small and medium businesses, which provided a new level of access to

government support measures: from August 1, 2016, entrepreneurs do not need to prove their belonging to small or medium-sized businesses.

For 2017-2018, there is an exemption from the payment of income tax for self-employed citizens engaged in tutoring, supervision and care of certain categories of citizens, cleaning of dwellings and housekeeping, which sent a notice to the tax authority. At the same time, the subjects of the Federation are entitled to expand the list of activities of self-employers, the income from which they are exempted from taxation. Measures have been taken to develop a single-window system to provide services to entrepreneurs. Multifunctional centers providing state and municipal services that provide services to small and medium enterprises are included in the list of organizations that form the SMEs infrastructure.

A pilot project was implemented with the participation of 39 constituent entities of the Federation to create and develop the MFC business network. More than 500 windows have been created to provide services SMEs. Services such as the development of business plans, commodity and legal expertise, business and risk assessment, legal support, property insurance for individuals and legal entities, acceptance of applications for participation in competitive selection for subsidies, microloans and a number of others are being introduced. The practice of providing comprehensive services on the principle of business situations is "gathering speed". SMEs demand stimulation is accelerated by quota extension for single source contract in goods, works, services by governmental companies from SMEs from 10 to 15% (the decision will come into force on January 1, 2018).

To support SMEs and organizations that form the infrastructure for supporting SMEs; attracting funds from Russian, foreign and international organizations to support SMEs; organization of information, marketing, financial and legal support of investment projects implemented by SMEs; organization of measures aimed at increasing the share of purchases of goods, works and services by customers determined by the Government of the Russian Federation, from SMEs in the annual volume of purchases of goods, works, services, as well as innovative and high-tech products; ensuring information interaction with government authorities, local authorities, other bodies, organizations in order to provide support to SMEs; preparation of proposals on improving measures to support SMEs, including proposals to improve regulatory and legal regulation in this area. The joint-stock company "Federal Corporation for the Development of Small and Medium Enterprises" (SME Corporation) was established without a time limit and operates in accordance with the Civil Code of the Russian Federation, Federal Law No. 208-FL of December 26, 1995 "On Joint Stock Companies", Federal Law of July

24, 2007 №209-FL "On the development of small and medium business in the Russian Federation", Presidential Decree No. 287 of 05.06.2015 "On measures for the further development of small and medium businesses", other legislative and regulatory legal acts of the Russian Federation. The SME Corporation carries out its activities as an institution for development in the sphere of small and medium businesses in order to coordinate the provision of support to small and medium enterprises (SMEs) under Federal Law No. 209-FZ of July 24, 2007 "On the Development of Small and Medium Enterprises in the Russian Federation" "After the change of the name of the joint-stock company" Non-bank deposit-credit organization "Agency of Credit Guarantees". Today the SME Corporation cooperates with 15 federal banks and regional guaranteeing organizations (hereinafter referred to as the RGO) with 43 federal and 248 regional banks. In 2015, the SME Corporation, in conjunction with the Russian Ministry of Economic Development and the Bank of Russia, developed and adopted a program to stimulate lending to small businesses to reduce interest rates on loans through warranty support tools. Due to this, the interest rate will be reduced to 10-11%.

In accordance with Art. 2 of the Decree of the President of the Russian Federation "On Measures for the Further Development of Small and Medium Enterprises" of June 5, 2015, No. 28 and item 2, Article 25.1 of the Federal Law "On the Development of Small and Medium Enterprises in the Russian Federation" in edition No. 408-FL and section IV, item 1 of the Order of the Government of the Russian Federation of 02.06.2016 "1083-r" On the approval of the Strategy for the Development of Small and Medium Enterprises in the Russian Federation up to 2030 ", the main tasks of the Federal Corporation were established.

As can be seen from the generalization of the data presented in the documents, the tasks of the "SME Corporation" have some differences. Firstly, according to the legislation system, «SME Corporation»'s jobs are oriented as well to organizations, forming the infrastructure of SME support.

Secondly, information, marketing, financial and legal support, in accordance with the presidential decree, applies exclusively to investment projects implemented by small and medium businesses, while the law does not provide such clarifications.

Thirdly, neither the law nor the strategy provides for the tasks of the "SME Corporation" to assess the goods purchases conformity, works, services to the requirements of the legislation of the Russian Federation providing for the participation of small and medium businesses in procurement.

Fourth, the law and strategy do not identify the share of foreign participation and the organizational and legal form of the customer.

Thus, in order to bring these documents in line and ensure the synchronization of legislation, we consider it necessary to eliminate the inaccuracies.

As the analysis of Russian legislative system showed the emphasis in SME development was put on access to financial resources, providing tax concession and preferences, administrative barriers reduction in creating infrastructure elements (organizations, making purchases of goods and services, produced by small businesses; entrepreneurship assistance development fund ,consulting centres etc.).

According to our empirical analysis, some business participants admit improvement of legal environment and government assistance, regulating SME's activities in the Russian Federation: 9,7% of respondents state absence or imperfection of SE legal environment, 53% - state that social demand for SME's production is not enough, 54%- lack of personal financial base.

51% of retail trade enterprises heads admit high tax rates that assent only to poor demand for on- the stock products (53%). For small constructing businesses only 15% of respondents highlight high tax rate. Poor demand and lack of personal finances is much more serious problem for small constructing businesses (39 and 33% in parallel).

Consequently, according to the analysis of the legislative system and professional experience in SE, the RF normative legal base on SE is considered complete enough. However, real root of the crisis is not about sanctions or embargo, not legal inadequacy and legislative imperfections, it is economic policy mistakes, corruption in business. Corruption model of entrepreneurship was formed in Russia, destructing governmental fundaments.

Conclusion: Russian SMEs is based on solid law ground though it is not enough. The problem is, it is one dimensional, some aspects are omitted, making the process of new statutory instruments adoption a complete absurd. As for business segment, small entrepreneurship is an apart niche in economics, providing the most effective result, it works with both giant businesses and an individual. The position is explained by small entrepreneurship's peculiarities and functions.

e) *Analysis of measurement in SMEs support system in the Russian Federation*

The system of measures of state support for the development of small business is the basis of the federal program of the Ministry of Economic Development of Russia "Economic development and innovative economy" Subprograms 2 "Development of small and medium-sized businesses", which includes activities 2.1 "Federal financial program for supporting small and medium-sized businesses", 2.2 " -legal regulation of SMEs" and 2.3" Promoting the

development of youth entrepreneurship "(implemented from 08.0 6.2016). At the same time, one can note the inconsistency of state support for entrepreneurship, which in 2005-2010 was carried out in much larger volumes than now. Thus, the volume of support for small business forms from the federal budget for the period under review increased by an average of 16 times, in the overwhelming majority of Russian entities, there was also a significant increase in the allocation of funds. But from 2011 the marked trend has radically changed: in the budget plans for "support" of small enterprises in 2011 there were 20.8 billion rubles, in 2012 - 10 billion rubles, and in 2013 - and at all 5, 8 billion rubles. It should be noted that in recent years there has been a steady increase in interest rates and tariffs for the use of natural monopoly services, which further reduces the value of funds allocated from budgets to support small business and entrepreneurship in the Russian Federation.

As was noted in § 3.5.of this article, since the implementation of the state program, a number of changes in the legislation have been adopted, which ensured regulation of this sphere of economic relations. In some cases the measures of legal regulation are not specific. Therefore, in governmental agenda «Economic development and economics of innovations » there are some vogue statements in describing basic assessments:

- « Symbiosis of business and tax accounting»;
- « liberalization of legislation»;
- « SMEs development in some economic spheres» etc.

These statements consider their violent interpretation, not allowing determine action plan for government agenda implementation.

The authors also analyzed the purpose and objectives of this federal program for compliance with the Methodological Guidelines for the Development and Implementation of State Programs of the Russian Federation approved by Order No. 690 of the Ministry for Economic Development and Trade of the Russian Federation, November 20, 2013. The guidelines contain requirements for the objectives of program documents: specificity, measurability, attainability, relevance.

In analyzing the purpose of the subprogram "Development of SMEs" of the federal program "Economic development and economics of innovations", some inaccuracies were established. In particular, the goal of the subprogram is formulated as follows: "increasing the share of SMEs in the economy of the Russian Federation". From an economic point of view, the phrase "share in the economy" is absurd and abstract. That is, it does not meet the criterion of "concreteness" of the Guidelines. Consequently, the goal is not measurable, abstract and unattainable. We believe that it is more correct to replace this formulation

with "the share of SMEs in GDP". Along with the federal program of the Ministry of Economic Development of Russia, each constituent entity of the Russian Federation implements a set of measures to improve small business in the adopted regional documents that ensure the achievement of the state's objectives to increase the contribution of SMEs to the country's economy. It must be recognized that Russian regions are very diverse in their business conditions, and this requires some special features in the nature of the support provided.

In this regard, the country's leadership at all levels of the economy should strive to create favorable conditions for the development of independent SME companies. Among such conditions is the abolition of the privilege on the property tax of organizations for payers of special tax regimes, the introduction of trade fees, arbitrary changes in the layout of non-stationary retail facilities in certain constituent entities of the Russian Federation, and a number of other measures.

Moreover, the system of administrative and legal regulation in certain sectors and spheres remains unfriendly to small enterprises and does not take into account the specifics of making business in small forms of management. Combined with a high level of fiscal burden, these circumstances do not allow enterprises to increase the sales market on the early stages of activity, increase profitability and thus provide a transition from micro-business to SMEs.

In addition, both the academic community and practitioners often discuss the application of the so-called "tax vacations", which is especially important for goods, works and services potentially located in the import substitution orbit. Periods of "tax vacations" should be determined taking into account the individual characteristics of the emerging Russian market, and they must correspond with the indicators of profitability of products. Also the programs of soft loans, subsidies and interest-free loans available to small businesses, which should be provided to implement the most promising business ideas and can carry a positive impact.

Speaking about the support of small business in Russia, it should be stressed once again that the main focus should be put not on allocating any funds, but, first and foremost, on creating a favorable business climate, in which the process of formation and development of small business will be really effective.

Unfortunately, in the designated sphere it is possible to ascertain the certain unsystematic nature of the decisions made.

Nevertheless, the state still takes certain measures to implement the policy of import substitution and support of entrepreneurship:

- Developed and implemented sectoral import substitution programs (in energy, industry, agriculture, IT);

- An industrial development fund has been set up that facilitates the acquisition of more profitable borrowed funds (loan rate from 5% per annum);
- Conditions created for the creation of certain preferences for domestic commodity producers in state and municipal purchases.

However, the problem of the formation of SMEs remains and the main reason, as we have seen, is the lack of real-functioning financial and credit mechanisms to ensure the effective operation of enterprises. The tax, administrative, banking, currency norms of the law regulating entrepreneurial activity are still quite contradictory and not consistent, as a result, only a quarter of enterprises carry out their entrepreneurial activities legally. The system of law regulating relations in entrepreneurship should be transparent, clear, stable, and the procedure is understandable and accessible. The current normative acts do not have a clear and well-thought mechanism of implementation, creates uncertainty in the development perspective, leads to indifference of the active part of the population and mix it up, stimulate the development of "shadow" business, "shadow" capital, feeds corruption. The contradict nature of legislative acts, their ambiguous interpretation by different state structures, bureaucratic entanglement of business registration procedures, licensing, product certification, registration of property rights, etc., as well as related significant financial costs remain the main problems in the sphere of small enterprise. Negative impact on small business is rendered also by local governments, trying to compensate a part of incomes left in the federal budget, enter additional local taxes and gathering. Underestimation of the importance of small business by the state causes distrust of the authorities of the business community, leads to aggravation of existing problems, to a decrease in the dynamics of its development, and to the curtailment of the private sector of entrepreneurship with simultaneous aggravation of economic problems and increased social tensions in the country.

The imperfections of the tax system, plus excessive administration, and at the same time corruption - all this hampers the establishment and development of entrepreneurship in Russia: all documents regulating the activities of small enterprises were prepared by different power structures, and each of these normative acts contains logical requirements, but together they create intractable barriers to the implementation of private entrepreneurship.

However, even a small enterprise that has decided to complete entrepreneurial activity is not in a position to do so legally. The current legislation establishes a complicated procedure for the voluntary dissolution of legal entities. As a result, there is a significant number of non-performing firms that exist only formally.

Regulatory legal documents, regulating social and labor relations in the Russian Federation, take little account of their specifics in the sphere of small business, which leads to social insecurity of hired workers in small enterprises, especially those who have labor relations with entrepreneurs without forming a legal entity, unsatisfactory position in the field of labor protection, safety precautions.

In addition to the main reasons that hamper the dynamic development of SMEs unfair competition factor can be attributed, and violation of the anti-monopoly legislative framework. The complicated procedure for registration of land lease associated with large time and material costs, regulated both at the federal and regional levels, the high cost of renting and redemption of premises, complicated procedure for registering the rights to non-residential premises also restrain entrepreneurial activity.

IV. DISCUSSIONS

Surfing through the literature on law allows us to state the absence of special studies devoted to the problem of a scientifically grounded structural and functional model for the implementation of the legal mechanism for the functioning of SMEs in under-sanctions Russia. However, certain issues of improving the legal mechanism for impact on the sustainable development of entrepreneurship were highlighted in the works of Marchenko M.N, (2006), Ashmarina E.M. (2015), Sokolova N.A (2016).

The role of law in the formation of the economic functioning of the state was considered by Kuksin I.N, Matveyev P.A, (2012). Formation of the credit policy of a commercial bank in the field of small business lending was analyzed in detail (Minasyan G.S 2015); issues of intellectual support of innovative development of entrepreneurship were devoted to works of Malyara N.S, Akhtyamova M.K, Bobrova A.V, 2014. Measures to ensure the rights and legitimate interests of SME in the implementation of state control (supervision), as well as measures to ensure financial support for the subjects considered in the works of Morozova N.S, 2012.

The problems of intellectual provision of innovation support for the entrepreneurship development are considered in the work of Petrishche V.I, 2011, in particular, it is shown that the knowledge economy fundamentally changes all traditional principles, approaches and models for the development of competitive entrepreneurship; Entrepreneurship in the knowledge economy is increasingly focused on maximizing the market value of companies.

The main tasks of developing the SMEs infrastructure in the region were considered in the works of Petrov S.M, 2012, while he dwelled in detail on the work of the SMEs microfinance fund; to help in the rental of real estate and the possibility of its acquisition by

installment payment; on granting to businessmen of the right of rent on a long-term basis of the state and municipal property without auctions carrying out. Analysis of the role of the state in promoting small business development stopped (Morkovina S.S), 2008, stressing that the key to ensuring sustainable development of a small enterprise at the state level are measures to regulate tax legislation in the sphere of small business, creating an effective system of its financial support, potential of industrial enterprises through the allocation of production on preferential terms. The tools of public-private partnership as a factor of innovative activity of small business in the region were considered in the works of Esina L.A, 2012, in particular it is shown that the Tax Code of the Russian Federation offers special tax regimes for small business subjects, and regions are given the right to determine certain tax preferences for them; in order to increase accessibility and reduce fees for the use of borrowed financial resources, it is necessary to attract loans to members of small business entities.

During the stage-by-stage monitoring of scientific literature, it was revealed that development focuses on state regulation and management in the sphere of economic activity, this is due, firstly, to the fact that the market relations themselves generate negative forms of economic relations, and secondly, under appropriate conditions, legal regulation gives impetus to new economic forms of relationships. The state affects with several methods: economic (taxes, prices, credits, quotas) and administrative (registration, licensing).

The analysis of legal practice made it possible to come to the conclusion that the most important function of the state in the economic sphere is to create the necessary conditions for ensuring its normal and efficient functioning and maintaining the balance of the private interests of the state, society and the individuals. An effective mechanism for monitoring the observance of existing legal norms, take the necessary measures to overcome economic instability, increase the competitiveness of domestic products. It is necessary, as it is admitted in the literature to: conduct an active state anti-inflationary, monetary, monetary and fiscal policy, focused on import substitution and support for the real sector of the economy.

V. CONCLUSIONS

It is established that normative legal acts, regulating entrepreneurial activity, contain conflicting norms, are contradictory in the methodology of resolving social relations, it does not have a clear and well-thought mechanism for implementation, the failure of the state to take the decisions it feeds the corruption component, as a result only a small number of enterprises carry out their activities legally, the instability



of the legislation in the sphere of tax and financial regulation of the sector remains.

Despite the measures taken in recent years, first of all, it should be noted that for some types of activities the problem of high costs for administrative procedures remains very serious, excessive administrative burden on small businesses, a number of administrative procedures are being singled out, amendments to the legislation introduced in the relevant plans of measures, generally facilitate the simplification of procedures, nevertheless remain generally unfavorable in comparison with economically developed countries.

The materials of this article can be useful for entrepreneurs adapting to new conditions of economic activity, for specialists in the field of economic, financial and business law. In the process of research, new questions and problems appeared that needed their solution. It is necessary to continue research on the development of methods for assessing the effectiveness of legal regulation of entrepreneurial activity and solving the problem of improving legal technology in the codification of normative acts in the field of entrepreneurship.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Альбов А.П. Нормы культуры как источник и форма права. // Современный юрист. 2013. № 4(5).
2. Быркова Е. Малый бизнес в России: цифры и факты. – ПРОВЭД, 2015.
3. Годовой отчет акционерного общества «Федеральная корпорация по развитию малого и среднего предпринимательства» за 2015 год. – Москва. 2016. С. 23.
4. Гончарова О.Ю. Развитие малого предпринимательства в условиях антироссийских санкций // Российское предпринимательство. - 2015. - Том 16. - No5 - с. 679–690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
5. Гончарова О.Ю. Развитие малого предпринимательства в условиях антироссийских санкций // Российское предпринимательство. - 2015. - Том 16. - No5 - с. 679–690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
6. Гончарова О.Ю. Развитие малого предпринимательства в условиях антироссийских санкций // Российское предпринимательство. - 2015. - Том 16. - No5 - с. 679–690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
7. Динамика оказания финансовой поддержки субъектам МСП // Корпорация МСП. URL: http://corpmsp.ru/guarantee/?by=17&prop=UF_VA_LUE_2
8. Жданова С.Т. Импортзамещение как экономическая мера в условиях антироссийских санкций// Электронный научный журнал «ГосРег». 2016. № 1.
9. Иванова А.А. Коррупция в сфере российского предпринимательства//Актуальные проблемы экономики и права. №3 (27), 2103.
10. Индекс экономического настроения (ИЭН ВШЭ) в IV квартале 2015 года. –М.: НИУ ВШЭ, 2016 – 20 с.
11. Калинин А. Мало и медленно. Российская Бизнес-газета - №993(14). 14.04.2015.// <https://rg.ru/2015/04/14/dola.html>
12. Кузнецов Ю.В., Быкова Н.В. Методические основы моделирования государственной поддержки предприятий малого бизнеса // Научный журнал НИУ ИТМО. Серия «Экономика и экологический менеджмент». 2016. № 2 (25). С. 80-86.
13. Малое и среднее предпринимательство в России. 2015: Стат. сб. // Росстат - М., 2015. – 96 с.
14. Морковина С. С., Сибиряткина И. В. Влияние законодательных нововведений на развитие малого бизнеса // Бухгалтер и закон. — 2013. — № 1. — С. 13–17., с. 17
15. Распоряжение Правительства РФ от 27.01.2015 № 98-р «Об утверждении плана первоочередных мероприятий по обеспечению устойчивого развития экономики и социальной стабильности в 2015 году» // «Российская газета», № 19, 02.02.2015.
16. Федеральный закон от 02.06.2016 № 178-ФЗ «О внесении изменений в статью 346.32 части второй Налогового кодекса Российской Федерации и статью 5 Федерального закона «О внесении изменений в часть первую и часть вторую Налогового кодекса Российской Федерации и статью 26 Федерального закона «О банках и банковской деятельности» // «Собрание законодательства РФ», 06.06.2016, № 23, ст. 3302.
17. Федеральный закон от 05.04.2013 № 44-ФЗ «О контрактной системе в сфере закупок товаров, работ, услуг для обеспечения государственных и муниципальных нужд» (с изм. и доп., вступ. в силу с 01.09.2016) // «Российская газета», № 80, 12.04.2013
18. Федеральный закон от 13.07.2015 № 232-ФЗ «О внесении изменений в статью 12 части первой и часть вторую Налогового кодекса Российской Федерации» // «Российская газета», № 154, 16.07.2015.
19. Федеральный закон от 17.05.2007 № 82-ФЗ «О банке развития» // «Российская газета», № 108, 24.05.2007.
20. Федеральный закон от 24.07.2007 № 209-ФЗ «О развитии малого и среднего предпринимательства в Российской Федерации» (с изм. и доп., вступ. в силу с 01.08.2016) // «Российская газета», № 164, 31.07.2007.
21. Федеральный закон от 24.11.2014 № 376-ФЗ «О внесении изменений в части первую и вторую Налогового кодекса Российской Федерации (в части

- налогообложения прибыли контролируемых иностранных компаний и доходов иностранных организаций)» // «Российская газета», № 272, 28.11.2014.
22. Федеральный закон от 26.07.2006 № 135-ФЗ «О защите конкуренции» // «Российская газета», № 162, 27.07.2006.
 23. Федеральный закон от 29.11.2014 № 382-ФЗ «О внесении изменений в части первую и вторую Налогового кодекса Российской Федерации» // «Российская газета», № 275, 03.12.2014.
 24. Федеральный закон от 29.12.2014 № 477-ФЗ «О внесении изменений в часть вторую Налогового кодекса Российской Федерации» // «Российская газета», № 299, 31.12.2014.
 25. Степашова А. Ю., Исакова Т. Е., Калущкая Н. А. Влияние санкций на малый бизнес // Молодой ученый. - 2014. - №21. - С. 425-428.
 26. Birch, D. (1979). The job generation process. Unpublished Report, Massachusetts Institute of Technology, prepared for the Economic Development Administration of the U.S. Department of Commerce, Washington D.C.
 27. Birch, David (1987), Job Creation in America, How our smallest companies put the most people to work, The Free Press, New York.
 28. Edmiston, Kelly (2010). "The Role of Small and Large Businesses in Economic Development". Economic Review. 1: 1–93.
 29. Hansmann H. The Current State of Law and Economics Scholarship // Journal of Legal Education. 1983. No 33. P. 217.
 30. Hansmann H. The Current State of Law and Economics Scholarship // Journal of Legal Education. 1983. No 33. P. 217.
 31. Harris R. The Uses of History in Law and Economics // Theoretical Inquiries in Law. 2003. Vol. 4. No 2.
 32. OECD Studies on SMEs and Entrepreneurship RUSSIAN FEDERATION key issues and policies, 2015. P. 36. OECD Studies on SMEs and Entrepreneurship RUSSIAN FEDERATION key issues and policies, 2015. P.36
 33. Polinsky A.M., Shavell S. The Theory of Public Enforcements of Law // Handbook of Law and Economics. 2007. Vol. 1. P. 403–407
 34. Shanker, Melissa Carey, and Joseph H. Astrachan. "Family Business Review." Sage Publication 9.2 (1996): 1-123. Print
 - medium-sized business" for the year 2015. - Moscow. 2016. P. 23.
 4. Goncharova O.Yu. Development of small business in the conditions of anti-Russian sanctions // Russian Entrepreneurship. - 2015. - Volume 16. - No5 - p. 679-690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
 5. Goncharova O.Yu. Development of small business in the conditions of anti-Russian sanctions // Russian Entrepreneurship. - 2015. - Volume 16. - No5 - p. 679-690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
 6. Goncharova O.Yu. Development of small business in the conditions of anti-Russian sanctions // Russian Entrepreneurship. - 2015. - Volume 16. - No5 - p. 679-690. URL: <http://www.creativeconomy.ru/journals/index.php/rp/article/view/127>.
 7. Dynamics of financial support subjects of SMEs // SME Corporation. URL: http://corpmsp.ru/guarantee/?by=17&prop=UF_VALUE_2
 8. Zhdanova S.T. Import substitution as an economic measure in the conditions of anti-Russian sanctions // Electronic scientific journal "GosReg". 2016. No. 1.
 9. Ivanova AA Corruption in the sphere of Russian business // Actual problems of economics and law. No. 3 (27), 2103.
 10. Economic sentiment index (HSE) in the 4th quarter of 2015. - Moscow: NIU HSE, 2016 - 20 p.
 11. Kalinin A. Little and slow. Russian Business Newspaper - No. 993 (14). 14.04.2015.// <https://rg.ru/2015/04/14/dola.html>
 12. Kuznetsov Yu.V., Bykova N.V. Methodical bases of modeling of the state support of the enterprises of small business // the Scientific journal of NIU ITMO. Series "Economics and environmental management". 2016. № 2 (25). Pp. 80-86.
 13. Small and medium-sized business in Russia. 2015: Stat. Sat. // Rosstat - M., 2015. - 96 p.
 14. Morkovina SS, Sibiryatkina IV The Influence of Legislative Innovations on the Development of Small Business // The Accountant and the Law. - 2013. - No. 1. - P. 13-17., P. 17th.
 15. Order of the Government of the Russian Federation No. 98-r of 27.01.2015 "On approval of the plan of priority measures to ensure sustainable development of the economy and social stability in 2015" // Rossiyskaya Gazeta, No. 19, 02.02.2015.
 16. Federal Law No. 178-FZ of 02.06.2016 "On Amending Article 346.32 of Part Two of the Tax Code of the Russian Federation and Article 5 of the Federal Law" On Amending Part One and Part Two of the Tax Code of the Russian Federation and Article 26 of the Federal Law " On Banks and Banking Activity "/" Collection of Legislation of the Russian Federation ", 06.06.2016, No. 23, art. 3302.
 17. Federal Law No. 44-FZ of 05.04.2013 "On the Contract System in the Sphere of Procurement of

REFERENCES RÉFÉRENCES REFERENCIAS

1. A.Albov. Norms of culture as a source and form of law. // Modern lawyer. 2013. No. 4 (5).
2. Birkova E. Small business in Russia: figures and facts. - PROVED, 2015.
3. Annual report of the joint-stock company "Federal corporation for the development of small and



- Goods, Works, and Services for Provision of State and Municipal Needs" (as amended and supplemented, effective as of September 1, 2013) // "Rossiyskaya Gazeta", No. 80, 12.04.2013
18. Federal Law of July 13, 2015 No. 232-FZ "On Amendments to Article 12 of Part One and Part Two of the Tax Code of the Russian Federation" // Rossiyskaya Gazeta, No. 154, July 16, 2015.
 19. Federal Law No. 82-FZ "On the Development Bank" of May 17, 2007 // Rossiyskaya Gazeta, No. 108, May 24, 2007.
 20. Federal Law No. 209-FZ of July 24, 2007 "On the Development of Small and Medium-Sized Enterprises in the Russian Federation" (amended and supplemented, effective from August 1, 2016) // Rossiyskaya Gazeta, No. 164, 31.07.2007.
 21. Federal Law No. 376-FZ of November 24, 2014 "On Amending Part One and Two of the Tax Code of the Russian Federation (Regarding Taxation of Profits of Controlled Foreign Companies and Income of Foreign Organizations)" // Rossiyskaya Gazeta, No. 272, 28.11. .2014.
 22. Federal Law No. 135-FZ of July 26, 2006 "On Protection of Competition" // Rossiyskaya Gazeta, No. 162, July 27, 2006.
 23. Federal Law of 29.11.2014 No. 382-FZ "On Amending Part One and Two of the Tax Code of the Russian Federation" // Rossiyskaya Gazeta, No. 275, 03.12.2014.
 24. Federal Law No. 477-FZ of December 29, 2014 "On Amending Part Two of the Tax Code of the Russian Federation" // Rossiyskaya Gazeta, No. 299, December 31, 2014.
 25. Stepashova A. Yu., Isakova T. Ye., Kalutskaya NA Impact of Sanctions on Small Business // Young Scientist. - 2014. - №21. - P. 425-428.
 26. Birch, D. (1979). The job generation process. Unpublished Report, Massachusetts Institute of Technology, prepared for the Economic Development Administration of the U.S. Department of Commerce, Washington D.C.
 27. Birch, David (1987), Job Creation in America, How our smallest companies put the most people to work, The Free Press, New York.
 28. Edmiston, Kelly (2010). "The Role of Small and Large Businesses in Economic Development". Economic Review. 1: 1-93.
 29. Hansmann H. The Current State of Law and Economics Sch.