

## Prospects of small business in Tatarstan

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**Abstract.** The article discusses the problems and prospects of small business in the Republic of Tatarstan. Studied the function of small business and its role in the regional economy. Development of small business promotes gradual creation of a wide layer of the small owners (middle class) who are independently providing own welfare and a worthy standard of living, the social and economic reforms which were a basis, the guarantor of political stability and democratic development of society.

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### Introduction

The problem of small business development is now one of the hottest topics for Russia as small business acts as driving force of economic growth and is one of the sources of sustainable development of economy of the state. Small and average business is important for restructuring of industry, trade and services sector, creation of new jobs and, as a result, is a source of economic growth, reduction of poverty and acceleration of development of civil society. The matter was repeatedly touched by the Russian President V.V. Putin and that as a result found reflection in acceptance of a number of federal and regional normative documents and programs for stimulation of creation and development of small business in recent years.

Successful development of modern enterprise structures will allow to gain not only direct economic effect in indicators of GDP growth, the income of population and income of state budget, but also considerable social effect in the form of employment stimulation, development of market environment and development of the new markets that also has to allow to reduce social tension. However achievement of positive effects is possible only in case of successful integration of small business into market space by development and strengthening of relationship with key subjects of the market. It is demanded by also amplifying processes of globalization of world economy and a competition aggravation in all markets [1].

### Method

In the Republic of Tatarstan much attention is paid to development of small and medium business as it is connected not only with improvement of investment appeal of the republic, but also with the growth of gross regional product. Small business is

the powerful instrument of innovative development of Tatarstan by means of which it is possible to provide system inflow of investments to economy [2].

Besides, owners of small and medium-sized enterprises are more inclined to savings and investment, they always have a high level of personal motivation in achievement of success that as a whole positively affects enterprise activity. The sector of small and medium business forms the most extensive network of enterprises which operate generally in local markets and have been directly connected with the mass consumer of goods and services. In the aggregate with small sizes of small enterprises, their technological, production and administrative flexibility it allows to react sensitively and in due time to changing market condition [3]. For modern market economy the typical thing is difficult combination of various productions on scales – large, with a tendency to monopolization of economy and medium-sized and small enterprises which arise in branches where considerable capitals, volumes of equipment and cooperation of a great number of workers aren't required.

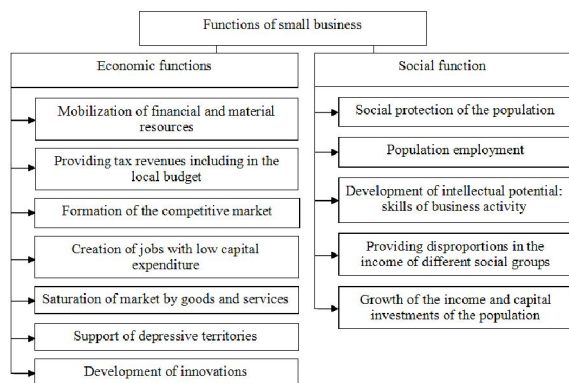
### Social role

The social importance of small business is defined by mass character of group of small owners – owners of small enterprises and their hired workers which total number is one of the most essential qualitative characteristics of any country with developed market economy. This group of active population serves bulk of consumers, making a complex of products and services according to quickly changing requirements of the market.

Development of small business promotes gradual creation of a wide layer of the small owners (middle class) who are independently providing own

welfare and a worthy standard of living, the social and economic reforms which were a basis, the guarantor of political stability and democratic development of society.

The main functions of small business can be divided into economic and social which are presented in figure 1.



**Fig. 1. Functions of the small and business in economy**

Also it should be noted that small business is not only a source of livelihood, but also way of disclosure of internal potential of the personality. Objectively inevitable restructuring of economy compels the increasing number of citizens to be engaged in independent business activity.

The sector of small business is capable to create new jobs, and, therefore, can provide decrease in unemployment rate and social tension in the country [1]. Mass development of small enterprises promotes change of public psychology and vital reference points of bulk of the population. It is the only alternative to social dependence.

### Political role

Political influence of small business in various countries is rather great as this social group long ago became basis of the formed middle class, the most representative on the number and being the spokesman of political preferences of considerable part of population. In conditions of sustainable social and economic and political development of society small businessmen are notable for the greatest commitment to the principles of democracy, political stability and economic freedom. The layer of small owners shows the greatest activity, and even aggression at threat emergence concerning property as unlike large and medium owners for owners of small enterprises their property often is the only source of livelihood and the most important way of self-expression. The middle class forms the political

movements itself, or becomes object of fight for votes for various political forces.

This factor defines continuity of communication of small business with interests of local and regional communities that causes its dependence on a national basis and makes a nutrient medium for its patriotic sentiments.

Thus, as historical experience of Russia and some other countries testifies, patriotic sentiments among small owners in conditions of economic recession and political instability can take extreme forms and push them to support of the most extremist political forces [4].

From the economic party the role and value of small business can be defined by means of the following indicators: shares of the gross domestic product (GDP) created in small business; shares of the national income created in small business; shares of the small enterprises in total of the commercial enterprises; shares of the able-bodied population involved in small business; shares of small business in production export; shares of taxes arriving from small business, in their total value; shares of fixed capital functioning in small business; shares of separate types of production or services made by small business, in their total amount, etc.

### Result

With increase in values of these indicators, naturally, the role of small business increases in national economy. For example, in the USA 54% of all employed, 45% of all assets, 35% of net income are the share of small firms; in EU countries at small enterprises over 70% of the working population work; in Japan 78% of employed, 51,8% of sales, 56,6% of conditionally net production are the share of economic units with number taken to 300 people (these are 99,5% of all enterprises) in processing industries. The share of small enterprises in gross domestic product of the USA makes 52%, in EU countries – 67%, Japan-55% [3, 5]. It should be noted that in the former USSR it wasn't paid due attention to development of small business, and the priority was given to large and medium-sized enterprises that finally led to monopolization of industrial production. With transition to market relations it became an essential brake for development of national economy.

Development of small business in Russia has great economic value owing to the following circumstances: small business allows to fill all our markets and most fully to satisfy needs of population for consumer goods and services; creation of small firms doesn't require large investments and long term of their construction; development of small business is one of the effective directions of antimonopoly policy and providing of competitive environment; the

small enterprises are simpler in management, they don't need to create difficult administrative structures; small firms can be reweaped quicker and cheaper, introduce and approve new technology, carry out partial or full automation of production, reach an optimum combination of the automated and manual skills; development of small business allows to solve or substantially soften unemployment problem; with development of small business a middle class and class of small owners interested in stabilization of economy and maintaining good order in the country arise; small business differs from medium and large business first of all, by flexibility and susceptibility to market condition, it reacts to demand of consumers quicker; "in modern conditions of the Russian Federation when process of formation of small business is at the initial stage in our country, its further development in the quantitative and qualitative plan is the most important factor of advancing lifting of national economy". The social importance of small business has versatile character [6, 7].

As a result of development of small business it is shown in the following directions: in decrease in unemployment rate; in fuller satisfaction of needs of citizens in production and services; in improvement of quality of service; in higher satisfaction of people, especially uneducated labor with their work, since they consider the work first of all as means of self-expression; in formation of middle class in society as bases for development of economy and increase of a standard of living of citizens; in formation of a numerous class of small owners who are most interested in providing an order and stability in society and economy; in decrease in strikes and social tension in society.

The essential role of small business in economic life of the countries is defined by that on market system of managing by that in this sector of economy the vast majority of the enterprises works, the most part of economically active population is concentrated and about a half of gross domestic product is made.

The sector of small business most dynamically masters new types of production and economic niches, and develops in branches, unattractive for large business, etc. The most important features of small enterprises are ability to accelerated development of investments and high turnover of current assets. One more characteristic feature of this sector is vigorous innovative activity promoting accelerated development of various branches of economy in all sectors of economy [8, 9].

Incident to small business flexibility and high adaptability to variability of market conditions promote stabilization of macroeconomic processes in

the country [10]. However rather low profitability, high intensity of work, complexity with introduction of new technologies, limitation of private resources and increased risk in hard-fought competitive battle are peculiar to this sector.

### Conclusions

Thus, the main forms and methods of control over SB development in countries with developed market economy which can be adapted for the Russian conditions, are: at national level: stimulation of development of techno-park structures as peculiar "incubators" of small business; state support of creation of associations of the small and medium-sized enterprises allowing to effectively influence development of their activity; financing and crediting of programs of the national importance through specialized banks and funds at national level; granting of loans to small enterprises with preferential rate in 5–6%; establishment of grants on separate kinds of activity of SB by the government; tax and legislative privileges; help to depressive regions in development of small and medium business; government guaranteeing of loans to small business on capital construction, purchase of the equipment or modernization of productions; at regional and local levels: creation of corporations of development of small business; granting credits and loans; placement of government procurements; creation of the organizations of economic development of local communities; participation of authorities in creation of loan funds of small business development; assistance to small and medium-sized enterprises moved on the periphery; creation of regional agencies of small business development; creation of a network of the service centers for small enterprises; subsidies of regional authorities for investments; creation of a network of the venture enterprises; creation of local communities of small and medium business.

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