

# INTEGRATING SMALL BUSINESS INTO THE GREEN ECONOMY: PROMISING AREAS OF INTERACTION

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## Abstract

*The article is devoted to the role and importance of small business in the modern world and its contribution to the development of green economy. It is noted that serious attention in economically developed countries is paid to the development of small enterprises as one of the most important sectors of the economy, which plays an important role in the socio-economic development of the country. The economic advantages of small business are considered, which include: lower cost in creating jobs; high internal mobility in changing demand using local resources inefficient for large-scale production; high profitability of activities in "narrow" segments of the market, small capital in organizing business, etc. It is determined that for all countries the financial infrastructure of small business is the most important component of the economic system. The processes of revival and development of entrepreneurship in Russia with the beginning of market reforms of the late XX century have been studied. It is established that the sustainable development of business structures, including those belonging to small business, is impossible without taking into account the trends of "green" economy, since the satisfaction of consumers today should not infringe on the interests and needs of future generations.*

**Keywords:** entrepreneurship, middle class, small business, market transformation, post-industrial era, green economy.

## I. Introduction

Entrepreneurial activity in the modern economy represents the main source of increasing the material well-being of the population. In all countries, the financial infrastructure of small and medium-sized businesses is accepted to be considered as the most important part of the national economy. [1] In this regard, the authorities of many states in every possible way promote the development of small business enterprises, which, in turn, leads to employment growth. In the process of managing the development of territories, the activity of entrepreneurial structures is currently taken into account. At the same time, an important factor at the local level for municipalities is the activity of entrepreneurial structures classified as small businesses.

## II. Methods

Within the framework of the Second International Scientific and Practical Conference on the problems of financing and crediting of the small and medium business sector in Russia, the necessity of accelerating the process of creating a domestic socially oriented financial structure of small and medium-sized entrepreneurship in the country was determined.

Toreev V.B. and Voronovskaya O.E. believe that the domestic banking sector is more focused on servicing large businesses, thus significantly increasing the costs of lending to small companies and leading to an increase in interest rates on loans.

Aleksandrov A.L. and others note that the formation of market relations in Russia has led to significant changes in the standard of living of the Russian population and set new tasks for state institutions in the field of economic welfare.

Ivanovskaya M.A. and Glukhova Z.V. in their work consider the processes of the impact of scientific and technological progress, globalization and internationalization processes on the environment, the state and exploitation of natural resources to ensure the life activity of modern society.

Basareva V.G. reveals the relationship between the level of development of small enterprises and the level of decline in industrial production. According to the author, the confirmation of the hypothesis of mutual influence of these processes in the period of transformational decline helps to adjust selective measures of state support of small business and increase their effectiveness in the crisis.

Vanyukov D.A., studying the history of the USSR of the period of developed socialism, called the era of "stagnation", believes that despite this name, this time was as significant for the country as Stalin's construction and Gorbachev's perestroika.

Muravyev A.I. and others in their work consider the processes of formation, development and prospects of entrepreneurship in Russia and abroad, investigate the most important aspects of economic management, such as financial and personnel management, securities transactions, innovation activity, marketing, etc.

Schumpeter E.A. pays great attention to the development of the technique of economic analysis, also studying the historical context of this development, the evolution of other social sciences and social thought in general, the formation of economists as a scientific community.

One of the important features of small business in developed countries in modern conditions, according to K.V. Pavlov and I.G. Andreeva, is its integration into the production networks of large industrial structures.

As noted by Nikulina O.V., in the conditions of modernization of the national economy, the purposeful formation of an effective mechanism for managing the innovative development of industrial enterprises using the advantages of the implementation of cluster strategies for Russia can ensure the transition to a qualitatively new level of economic development and the status of a world technological leader in the context of globalization.

A.A. Pakina and V.A. Gorbanev believe that the transition of world development to the post-industrial phase is accompanied by the aggravation of global problems, the solution of which is possible within the framework of green economy, the basic principles of which meet the modern concepts of balanced development and largely coincide with the provisions of the domestic concept of rational nature management.

According to Volkova I.A., Galynchik T.A., small and medium-sized businesses are more susceptible to greening, thus can affect the change of the environmental situation in the region, optimize the process of using natural resources.

When conducting this scientific research, such scientific methods as the method of comparative analysis, statistical analysis, comparative analysis, functional analysis, positive and normative analysis were applied. The scientific research was conducted in accordance with the problem-chronological principle, the principles of systematicity and scientific objectivity.

## III. Results

Effective socio-economic development of many countries of the world is determined by the development of small and medium-sized enterprises. Small and medium-sized enterprises carry out their activities as follows independently and in integration with backbone companies. This activity is ensured by a well-developed, historically established and formed for solving the tasks of accelerated economic development by the system of financing and crediting of small and medium-sized enterprises. In the Document on the Policy on Small Business in the European Union, published in 1995, it was noted that targeted assistance for small companies is the most profitable way to create new jobs in the country. [2]

Small business reduces the level of social tension in society and strengthens the processes of democratization of market relations, contributing to the formation of the middle class, raising the standard of living of its citizens, preventing the development of the shadow economy, which is its most important social function. The presence and growth of the middle class in the country confirms the effectiveness of reforms and can be considered an indicator of the strength of the entire system of socio-economic and political institutions, while its absence indicates the opposite. Even Aristotle in the ancient centuries noted the importance of the "middle class" as a factor of society stabilization. [3]

It is worth noting that the first to use the concept of "entrepreneurship" in the 18th century was the English banker and economist Richard Cantillon, who implied under this concept an economic activity, as a result of which the correspondence of commodity supply and demand in conditions of risk is ensured, and an entrepreneur is a person who turns the means of production acquired in the market into capital. The result of the functioning of capital is the creation of products that are sold on the market at a higher price than its cost, and since its market price is not known in advance, entrepreneurial activity is a risk. In the Middle Ages, as well as throughout the XVII-XIX centuries in the definition of these concepts was dominated by profit through a rational combination of factors of production, and risk was presented as inherent in business, but since the XX century, especially it can be seen in the works of A.I. Schumpeter, the innovative nature of entrepreneurial activity becomes a dominant feature. [4]

## IV. Discussion

### I. Subsection One

One of the important conditions in the development of entrepreneurship is motivation and if in the XIX century there was a predominance of motives of economic nature, then for the modern period prevail become socio-psychological, consisting in the fact that entrepreneurial income can often be no higher than the salary of a highly skilled worker. In modern economic science there are two main approaches as to who is an entrepreneur. Some economists consider any owner of the means of production to be an entrepreneur, which is acceptable for small and part of medium-sized businesses, while others consider a manager in this capacity, which is true for large businesses. It should be noted that the scientific position of the mid-1970s regarding the continuity of the process of concentration of ownership of capital, increasing the size of enterprises and firms in practice has not been sufficiently confirmed. In fact, in industrialized countries there was a growth in the number of small businesses, and more jobs in the country, attributable to these structures, thus highlighting small business as the most important source of employment and labor income for the population. It was also noted by scientists from different countries that the growth of employment in small companies was determined by the situation in the sector of large enterprises. According to their opinion, the labor force released by large enterprises was injected into small businesses. Large companies in years of economic instability could drastically reduce the number of their employees,

while for small structures this period was more favorable. Significant increase in the number of small businesses, in accordance with the Birmingham model of development in England small businesses, was the result of regional and national industrial decline and corporate restructuring. [5]

The formation of entrepreneurship in developed countries occurs on the basis of cooperation between large and small companies, when the activities of large firms are oriented not to suppress small companies, but to realize mutually beneficial cooperation with them. Thus, the structures of large and small businesses try to mutually complement each other, especially it can be observed in the sphere of specialization of individual productions and innovative developments. [6] If the activities of large companies are aimed at satisfying mass and rather homogeneous demand, small businesses operate in small market segments, distinguished by a limited range of production. Market niches are markets, for the most part, of high-tech finished products, the existence of which is determined by the peculiarities of the development of modern economy and international trade relations, when the demand in a particular market due to its small capacity can not be satisfied by large businesses or there is no possibility to cover the entire market with production. [6] An ancient Chinese proverb stating that a small boat, unlike a large ship, is easier to maneuver is appropriate here.

In the period of post-industrial development, the needs of small business structures regarding the introduction of innovations, research and marketing are increasing. There is a need to produce small batches of different goods characterized by high added value. Such spheres of economy as sports, recreation, entertainment, health care, fruit production and flower breeding, including traditional sectors of the economic system, have great opportunities in this direction. Almost all countries have actively developed small business, which takes into account modern features of the world economy functioning in full: innovation imperative, autonomization of the employee and his creative interaction with the employer, high rates of implementation of business ideas in the activities carried out.

Thus, according to English economist G. Bennock, it was small business in the XX century that created more than half of such significant inventions as electronic tubes for TV sets, air-conditioning unit, electrostatic copying machine, ballpoint pen, mixer, toaster, vacuum cleaner, transistor and many others. In developed countries, innovation policies focus on small and medium-sized innovative enterprises. In Japan, for example, the share of small innovative companies in the economy reached 99% of the total number of enterprises and they produced up to 52% of the country's GDP. [7] In the U.S., when conducting the program "Innovation activity of small enterprises" a good result was obtained, when the state for 20 years for every dollar spent was able to get eight, at the same time under this program, funding could receive only those companies that implemented the scientific results of universities. [7]

The social functions of small business, in addition to those already discussed, are also assistance in attracting additional labor resources, almost unclaimed by other groups of employers, such as pensioners, minors, mothers with many children, and people with limited working capacity. This circumstance is also important due to the fact that the share of these categories of people in the total Russian population is constantly increasing. Small companies employing hired labor are flexibly adapted to use the labor of the elderly, home-based workers, and young students.

Increasing the employment rate and, as a result, reducing the unemployment rate, improving people's living standards and reducing the number of poor people through inclusion in the small business sector contributes to the realization of other social functions of small business such as counteracting negative social phenomena by reducing crime, drug addiction, alcoholism; providing an opportunity for self-realization of people who have a special initiative and entrepreneurial spirit.

Among the economic advantages that contribute to the development of small business structures, one can include lower cost of job creation, high internal mobility in changing demand based on the use of local resources inefficient for large-scale production, high profitability of

activities in “narrow” segments of the market, focused on a specific and limited range of consumers, ease of organization, small capital in the organization of production activities, etc.

Entrepreneurship requires not only solid economic knowledge, determination, business acumen, willingness to take risks, but also the presence of extraordinary thinking, the ability to create and these circumstances determine the representation of entrepreneurship as a separate factor of production.

The condition for the formation of market structures in Russia was the revival and development of entrepreneurship, which was a prohibited activity during the Soviet Union. Although the monopoly on entrepreneurial activity during the Soviet era belonged to the state, the unofficial private entrepreneurial sector occupied a significant place in the Soviet economy, especially in the Baltic republics. Thus, according to the American economist V. Trail, by the early 1980s the shadow sector of the Russian economy accounted for up to 30% of the gross national product of the state, and the excess of income of “shadow workers” from the official statistical level reached 8-10 times, up to 15 million people were fully or partially involved in this sphere. [8]

In the late 80s of the XX century in the country there is a revival of entrepreneurial activity, which was indicated by the adoption of the USSR law “On individual labor activity” of November 19, 1986 and the law “On cooperation in the USSR” of May 26, 1988. Later on, other laws were adopted: the law of the RSFSR “On Enterprises and Entrepreneurial Activity” of December 25, 1990; the law of the USSR of April 2, 1991 “On the General Principles of Entrepreneurship of Citizens in the USSR”. In 1987 cooperatives began to appear and actively develop, the number of which for 1989 increased 2.6 times, amounting to more than 102 thousand on January 1, 1990 and 132 thousand - by January 1, 1991. [9]

Government support played an important role in the development of small business. Thus, on June 14, 1995 the country adopted the Federal Law “On State Support of Small Business of the Russian Federation”, which referred to the subjects of small business and individuals engaged in entrepreneurship without forming a legal entity. However, there were difficulties associated with the fact that these forms of entrepreneurship in state planning were not taken into account, thereby hampering the flow of resources into the area under consideration, which negatively affected its competitiveness, delayed the registration of enterprises, especially joint ventures, due to bureaucratic delays, which could sometimes take more than 1 year to overcome. Imperfect legislation in the field of private entrepreneurship also put obstacles in the way of the development of entrepreneurial structures in the country, resulting in the fact that the share of private companies in the total volume of production in these years amounted to only a few percent.

Thus, as of 1998, 6% of Russians over the age of 15 were successfully engaged in entrepreneurial activity. [10] Also among the Russian regions in terms of the level of development of small business structures there was noted quite high differentiation, the index of which was up to 10 times. According to the data for 1999, the Central Federal District accounted for the largest share of small business entities - 34.2%, including Moscow - 19.8%, and the smallest share - the Far Eastern Federal District - 4.3%. [11]

It is worth noting that the state support provided to small and medium-sized businesses, carried out in Russia in the form of preferential taxation, reduced contributions to extra-budgetary funds, providing easier access to cheap sources, accelerated depreciation contributed to the increase in the number of small and medium-sized companies on the basis of unbundling of large firms and separation of legally more profitable units from them under the guise of small and medium-sized businesses. As a result, the tax base and tax revenues were reduced, as this increase in the number of SMEs was based on a decrease in the number of unbundled parent companies of large businesses. In the late fifties and early sixties of the XX century, similar processes were observed in the U.S. economy in the conditions of substantial state support to small business. [12] Therefore, in order to provide state support not to subdivisions of large companies, but to those who really need it, they

began to talk about the need to strengthen the targeting of benefits to small and medium-sized businesses.

In general, it should be noted that market reforms for Russia and Eastern European countries were implemented with huge losses due to the policy of "Washington Consensus", while such countries as post-war Germany and Japan, today's China and Vietnam on the basis of stimulating their comparative competitive advantages or in modern times, gradually liberalizing the economy, focusing on macroeconomic stability and competitiveness of their producers, were able to achieve high results at the expense of insignificant amount of losses.

## II. Subsection Two

In the Russian economy, small business as a subject has existed for several decades, playing an increasingly important role in the socio-economic development of the country. Small business in the country continues to develop, acquiring more and more features typical of a civilized form of the market, but, despite tangible state support, in recent years it has lagged behind its Western counterparts in terms of the level of its development, which makes it impossible to present it as the main "generator" of the middle class.

Sustainable business development in modern conditions is impossible without taking into account the trends of "green" economy, since meeting the needs of modern society should not harm the interests and needs of future generations. The changes that are taking place within the world and national economies have led to the need to revise many of the foundations of the theory of economic science, in which there are new types, methods, techniques and models, one of which is the green economy. [13] More and more countries of the world, transnational corporations, entrepreneurs and ordinary citizens choose the path of responsible attitude to resources and determine their actions in accordance with the global environmental agenda.

In Russia, not only large companies have taken the orientation on "greening" business, but also among small businesses there are more and more "green" projects. The reform of waste collection and disposal, the implementation of which began on January 1, 2019, has brought environmental problems to a new level of required solutions on the part of the state, business and technology. The concept of green economy development is presented as a new trajectory of harmonious (clean) development of society as an alternative model to the existing (raw material) economy, interconnecting further economic development depending on the state of the environment. According to the UNEP conclusion, the main areas of green economy are such sectors of economy as agriculture and fisheries, water and forestry, industry (primarily energy), construction, domestic and industrial waste management, transportation, tourism. [14]

Green technologies lead to the improvement of the environment due to the reduction of negative impact on it, ensure the improvement of public health, contribute to the achievement of safety, resource efficiency and environmental friendliness of the functional activities of small companies. Small business management in the conditions of ecological transformation occurs with the help of a certain set of interrelated resource and incentive effects. The transition to green technologies leads to a synergetic effect, resolving the contradictions between the main goal of organizations' activities - profit and their interest in caring for the environment, saving and reproduction of natural resources, preserving public health. It is also important to take into account regional specifics in the process of small business development as a necessary aspect, both in environmental projects and in the process of formation of programs to improve the efficiency of small business structures. [15]

In all countries of the world it is possible to observe the regulation of entrepreneurial activity by the state. In some countries, for example, Italy, the Netherlands and Russia, the normative base of entrepreneurial activity is included in the civil law, in other countries - France, Germany, Portugal,

these norms are considered as an independent branch, there are countries where these norms are codified, i.e. Commercial Codes operate along with the Civil Code. But common for all these states is the allocation of entrepreneurial activity as a sphere of regulation, contributing to a better consideration of the peculiarities of this activity and, consequently, its development.

In the Russian economy there are many obstacles to the development of small business structures. The number of small enterprises in the country is not increasing at a very high rate, and the contribution of small business to the production of Russian GDP is not so significant. To overcome the existing negative trends in this area, it is necessary to develop and apply an effective system of state support of small business structures. The gradual transition of the country to a qualitatively new state, with the predominance of the "new economy", should be accompanied, first of all, by an active state policy, pursuing the goal of using the main and most promising potential for the development of scientific knowledge. What place Russia will occupy in the rapidly changing and contradictory world depends on the extent to which it will be possible to use this potential. The crisis and its consequences provide a unique opportunity to radically improve the fundamental legislative framework.

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