

Small business in Russia: everyday issues and development constraints



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Abstract. The article is based on the data of “Russian longitudinal monitoring survey of economic situation and public health NRU HSE” (RLMS-HSE) and considers current issues and specifics of social well-being of entrepreneurs engaged in small business – managers of micro-enterprises and individual entrepreneurs as one of the least protected professional groups who face great difficulties in organizing their business. The analysis confirms that numerous lingering problems impeding their work cause a reduction in the level of entrepreneurial activity, significantly worsen the social well-being of entrepreneurs and force many of them to change professional and life plans. The study reveals that social well-being of entrepreneurs engaged in small business is complex and uncertain; it is a consequence of an inconsistency between conditions of life and work, and the heterogeneity of this category of employees. They feel happy more often than wage workers. However, possessing a relatively high level of job satisfaction and life satisfaction in general, and having higher self-assessment of professional skills, small-scale entrepreneurs are less concerned with the low prestige of their work and their lack of wide power and authority in comparison to other categories of employed persons; they are cautious in establishing relationships with other people and they have a comparatively low level of law-abidance. The article proves that one of the conditions for successful functioning and development of small business consists in a balanced combination of entrepreneurial activity, initiative and efficient state governance. However, today, entrepreneurial ability, which should be the main driving force of the new Russian economy, is used extremely inefficiently, which is evident from the abnormally low level of entrepreneurial activity of citizens. And only about half of those who want to start their own business or establish their own company succeed. Only a small part of them clearly expresses the desire to gain new knowledge and master new technology and other work spheres.

Key words: small business, social well-being, social adaptation, public support, competition.

Continuous and profound changes in the socio-economic situation in Russia are accompanied by significant changes in the social position of various professional groups. Socio-economic processes affect in their own specific way the position and conditions of life and work of entrepreneurs engaged in small business; this gives rise to numerous social, socio-psychological and purely psychological problems, which, if ignored, complicate further transformations. The current situation of this category of entrepreneurs, like any other social group, largely depends on the extent to which “a society objectively needs those social functions that the group performs; it also depends on subjective assessments of representatives of other social groups and power structures concerning the benefits that the activities of this group produce”¹. Social feeling is an indicator that shows how successful the process of adapting to the changes is for an individual; it also shows the extent to which he/she is satisfied with his/her own position and the current level of well-being.

Social feeling is also an extremely important indicator of the degree of adaptation, “a basic element that shows certain achievements” in a particular situation². It characterizes the general internal

state of an individual and a social group, which is formed in everyday life and includes their attitude toward the environment, the assessment of living conditions and life prospects, their position in society, and the degree of life satisfaction. Differences in social feeling are associated to a great extent with positive or negative assessments of one’s life as a whole and its various sides.

This article focuses on the analysis of the main issues of activity, the specifics of the situation and social feeling of entrepreneurs who represent the simplest forms of business organization – managers of micro-enterprises (with the average number of employees over the previous year being up to 15 persons) and individual entrepreneurs, which according to the Federal Law “On the development of small and medium entrepreneurship in the Russian Federation” of July 24, 2007 No. 209-FZ belong to small and medium-sized businesses. The study reveals certain trends and factors in the adaptation entrepreneurs engaged in small business to the changing socio-economic situation, especially their behavior in the labor market. The analysis is based on data of the “Russian longitudinal monitoring survey of economic situation and public health NRU HSE” (RLMS-HSE) for 2012³.

¹ Mansurov V.A. Vmesto vvedeniya. Issledovanie professional’nykh grupp rossiiskoi intelligentsii: situatsiya, metodologiya i metodika [In Lieu of an Introduction. Research into Professional Groups of the Russian Intelligentsia: the Situation, Methodology and Technique]. *Professional’nye gruppy intelligentsii* [Professional Groups of Intelligentsia]. Executive editor V.A. Mansurov. Moscow: Izd-vo Instituta sotsiologii RAN, 2003. P. 8.

² Dudchenko O.N., Mytil’ A.V. Dve modeli adaptatsii k sotsial’nym izmeneniyam [Two Models of Adaptation to Social Change]. *Rossiya: transformiruyushcheesya obshchestvo* [Russia: the Society under Transformation]. Ed. by V.A. Yadov. Moscow: Izd-vo “KANON-press-Ts”, 2001. P. 610.

³ “Rossiiskii monitoring ekonomicheskogo polozheniya i zdorov’ya naseleniya NIU VShE (RLMS-HSE)” provoditsya NIU VShE i ZAO “Demoskop” pri uchastii Tsentra narodonaseleniya Universiteta Severnoi Karoliny v Chapel Khille i Instituta sotsiologii Rossiiskoi akademii nauk [“Russian Longitudinal Monitoring Survey of Economic Situation and Public Health NRU HSE” (RLMS-HSE) is carried out by NRU HSE and Demoscop CJSC with the Participation of the Carolina Population Center at the University of North Carolina at Chapel Hill and the Institute of Sociology of the Russian Academy of Sciences]. Available at: <http://www.hse.ru/org/hse/rlms>, <http://www.cpc.unc.edu/projects/rlms>.

Small entrepreneurship that includes individual, family and small business initiatives plays a very important role in the development of regional markets and national economy as a whole. In many respects this role is determined by benefits of small business such as the sufficiently high independence and autonomy of action, mobility, flexibility and efficiency, the ability to make and implement decisions quickly, high susceptibility to different kinds of innovation, focused specialization, and responsiveness to changing local conditions. It is subject to the simplified procedures of creation and liquidation of business, the decision-making procedure, the simplified system of taxation, accounting and reporting. Due to the lack of saturation of the services market in Russia, any entrepreneurial initiative can be in demand today; this promotes a relatively high yield of small business.

Of great importance is the fact that the main spheres of activity of small businesses include the crucial spheres of everyday life associated with human life sustenance. For instance, 52.8% of our respondents were employed in trade and consumer services; 13.2% – in transport; 11.7% – in the construction industry; 4.2% – in agriculture. This business segment forms the most extensive network of companies working for the mass consumer, satisfying the most diverse and urgent needs of the population. The majority of small entrepreneurs prefer to start their business in the sphere of trade and consumer services because it requires relatively less resources at the start, and the competition in these

spheres is not so tough, as in other types of business. These entrepreneurs do not differ by level of education from the rest of the employed: among them 32.2% have higher education; 25.5% graduated from technical school; 42.3% – from vocational school and secondary school. The vast majority of the respondents (97.3%) have set out their business on their own, and only some of the respondents said that they had received support from their relatives or friends in this respect.

Small business is closely linked with the development of self-employment, which is a very heterogeneous phenomenon. According to the general viewpoint, which is reflected in the recommendations by the International Labor Organization, self-employment includes employers who use hired labor; individual entrepreneurs (self-account self-employed), working individually or with the help of unpaid labor of their family members; members of producers' cooperatives; unpaid workers in family enterprises (individual entrepreneurs' relatives, who help them)⁴. The Rosstat methodological provisions, in addition to these categories, states that self-employed persons are also those engaged in the household production of goods and services for sale⁵. But there are other points of view as well. According to one of them, self-employment includes formal employment (small enterprises, micro-enterprises, individual entrepreneurs,

⁴ *Obzor zanyatosti v Rossii* [Overview of Employment in Russia]. Issue 1 (1991–2000). Moscow: TEIS, 2002. P. 70.

⁵ *Metodologicheskie polozeniya po statistike* [Methodological Provisions of Statistics]. Issue 1. Moscow: Goskomstat Rossii, 1996.

peasant/farm enterprises) and informal employment (rural and urban personal subsidiary plots, gathering, and others)⁶.

The category of self-employed persons comprises not only capable and active entrepreneurs, who chose this occupation voluntarily⁷. It happens very often that this occupation is the only option, a way to survive in the difficult economic situation, and it is not focused on high incomes. Self-employment is currently considered as one of the ways to reduce unemployment and address acute socio-economic issues. Russia has been implementing self-employment programs for several years, and they are developed individually for each region. In this regard, the most important social function of small business is its ability to provide a great number of jobs for the unemployed, thus reducing unemployment and social tension.

Despite its importance and advantages, small business in Russia is constantly faced with difficulties that hinder its development. We are talking primarily about the lack of effective mechanisms of support of business from the state, frequent changes in the business environment, limitations of various resources, high level of risk, and constant pressure of large companies, which leads to great instability in the market and impede

the intensive development of business activity. High monopolism and excessive involvement of the government not only in business but also in other spheres of life have negative consequences for the expansion of all forms of entrepreneurial activity.

For the period of the so-called recovery economic growth accompanied by an increase in adaptive abilities of the population, strengthening the role of active adaptation practices in the formulation and implementation of life strategies, there has been a significant increase in the number of citizens who prefer to rely on their own efforts without shifting the responsibility for what is happening in their life on other people and external circumstances. These people are optimistic even in difficult situations, and they try to build their adaptive strategies by focusing on the improvement of well-being of their families. Some of them have been quite successful in adapting to the changed socio-economic conditions, and moved up to higher social positions.

However, the majority of Russians, as before, have low social ambitions, and are infected with paternalism. Many people of middle and older age, having lost faith in the ability to achieve success in life, lower the bar of their aspirations and lead a modest life, which does not allow them to reveal and implement their potential to the fullest extent. Since the relationship between career and well-being often turns out to be weak, their desire to earn money and get a stable job prevails over career aspirations. Many prefer to be employees with a stable salary, enjoy social benefits and privileges,

⁶ Abramova E.A. Samozanyatost' naseleniya kak stupen' pod"ema ekonomiki v period preodoleniya krizisa [Self-Employment as a Stage of Economic Recovery in the Period of Crisis]. *Prilozhenie k zhurnalu "Sovremennye naukoemkie tekhnologii"* [Supplement to the Journal "Modern High Technologies"], 2010, no. 1, pp. 5-11.

⁷ Aistov A.I. O razvitii nekotorykh form samozanyatosti v Rossii v 1994–2002 godakh [About the Development of Some Forms of Self-Employment in Russia in 1994–2002]. *Ekonomicheskii zhurnal VShE* [HSE Economic Journal], 2005, vol. 9, no. 2, pp. 185-215.

get free education and medical services. A dominant subculture today is the one, the representatives of which avoid goals that are hard to achieve; they lower the bar of life aspirations, i.e. they choose “the strategy of avoidance”⁸. Even among young people there are a lot of those who prefer a quiet, slow and stable career of a common officer, financier, economist or lawyer to the risk and high responsibility of entrepreneurship and private initiative⁹.

The results of different studies show that the Russians have a high level of pessimism in the assessment of conditions for development of entrepreneurship, and a low level of entrepreneurial activity. According to VTSIOM, 44% of the respondents assessed the conditions for doing business in their city, rural settlement or village as very bad or bad in 2009; as for 2013, the figure was 55%. The residents of a small provincial towns and villages express the most critical opinions; the share of pessimists reaches 62% there¹⁰.

The recent streamlining of some bureaucratic procedures is clearly not enough to improve business climate and promote business activity the country. For instance, according to the Global Entrepreneurship Monitor (GEM), in 2012 only about 7% of the Russians were involved in entrepreneurial activity. And

only 3.8% of the Russians intended to start their own business in the next three years, while in the BRICS countries this figure was about 21%, and in Eastern Europe – over 24%. Entrepreneurs who plan to open a new business constituted about a half of the Russians who have entrepreneurial intentions. Consequently, the share of potential beginning entrepreneurs accounted for about 2%, which was the lowest figure among all the countries participating in the international study since 2006¹¹. According to the RAS Institute of Sociology, among the young people aged 18–30, whose aspirations outline the future, the proportion of those planning to start their own business even in the relatively prosperous years did not exceed 5%¹².

Not everyone who intends to engage in business activities achieves success in this field. For example, according to RLMS-HSE, of all the respondents interviewed in 2012 approximately one in ten people tried to organize his/her own company and start his/her own business. But in the end only 4.7% of the respondents, i.e., about half of those who tried to engage in entrepreneurial activity, managed to overcome all the difficulties and to succeed. Approximately 55% of the respondents coped with this task completely independently, while others resorted to the help of their relatives, friends and acquaintances.

⁸ *Rossiya na novom perelome: strakhi i trevogi* [Russia at a New Turning Point: Fears and Anxiety]. Ed. by M.K. Gorshkov, R. Krumm, V.V. Petukhov. Moscow: Al'fa-M, 2009. P. 12.

⁹ *Molodezh' novoi Rossii: obraz zhizni i tsennostnye prioritety* [Young people of the New Russia: Lifestyle and Values]. Moscow: Institut sotsiologii RAN, 2007. Pp. 12-14.

¹⁰ Antonets O. *Biznes-illyuzii* [Business Illusions]. *RBK [RBC]*, 2014, no. 1, p. 33.

¹¹ *The results of the study “the Global Entrepreneurship Monitor 2012” announced*. Available at: http://www.gsom.spbu.ru/all_news/obyavleny_rezultaty_issledovaniya_globalnyj_monitoring_predprinimatelstva_2012

¹² Gorshkov M.K., Sheregi F.E. *Molodezh' Rossii: sotsiologicheskii portret* [The Youth of Russia: a Sociological Portrait]. Moscow: TsSPiM, 2010. Pp. 186-187.

Currently, it is men and women aged 25–35 who are most energetic in the organization of entrepreneurial activity. However, this activity is rewarded mainly when they reach a more mature age. This may be due to the fact that some older people have a higher adaptive capacity and resources than younger people due to the more profound knowledge, rich experience, and a wide circle of friends and acquaintances.

Education is an important factor that determines the success of business start-up. Among those who organized their own business, there turns out to be a lot more people with higher education than among those who have never tried to do business or tried, but did not succeed.

Other researchers point out, as a positive fact, the presence of a high proportion of the so-called “voluntary” entrepreneurs aimed at self-realization (up 42%), in contrast to 27% “forced” entrepreneurs, i.e. those who lost their jobs and decided to start a small business as the only way out¹³. As practice shows, the “forced” entrepreneurs are much less likely to succeed in business in comparison to those who choose to do it more consciously.

Due to these and some other circumstances, the contribution of small and medium entrepreneurship in the country’s GDP remains quite modest – it does not exceed 21%. Meanwhile, it is 30% in Brazil, and about 65–75% in Spain, Greece and

Norway¹⁴. The majority of other European countries show a significant lag in the value of this indicator. In general, entrepreneurs in the BRICS countries create about 42% of GDP, while in the EU – up to 58%.

Assessing their own experience and the experience of others, many entrepreneurs are extremely pessimistic about the prospects for positive change in the conditions of business development in the near future. They become more convinced in that, in particular, due to the continuous abuse of power on the part of officials, groundless audits and numerous violations in the course of these audits, and the huge scale of various fines and “unofficial fees”. A significant part of entrepreneurs finds such fines so large that it forces them to work illegally or to resort to “off-the-book” schemes.

Besides, only in the last five years about 240 thousand businessmen were convicted in Russia. It turns out that the state, while adopting large-scale programs for support of small business, at the same time sets out such requirements that put off any desire to do business.

For example, a twofold increase in insurance premiums in Russia from January 01, 2013; as a result, almost 500 thousand individual entrepreneurs, which is over 11% of the total number of all the entrepreneurs registered in Russia, terminated their business in the course of the year, during which the new tariff policy was implemented.

¹³ Kulikov S. Otechestvennyi biznes pridushili chinovniki [Domestic Business Smothered by Officials]. *Nezavisimaya gazeta* [Independent Newspaper], 2012, January 24.

¹⁴ “OPORA Rossii”: *predprinimatel'skaya aktivnost' v strane ostaetsya nizkoi* [All-Russian Public Organization of Small and Medium-Sized Enterprises “OPORA Russia: Entrepreneurial Activity in the Country Remains Low]. Available at: <http://www.creditforbusiness.ru/news/24757/>

Some of them have withdrawn into the “shadows”. All this forced the government to reconsider the decision and to introduce in 2014 the differentiated approach to the calculation of insurance premiums. Such abrupt changes in the legislation, as well as the lack of transparent and simple tax rules for entrepreneurial activity in general, have a negative impact on the economy, reducing the activity of small and medium business and contributing to the expansion of the shadow economy, leaving many more or less successful entrepreneurs on the sidelines and turning them into losers.

The lack of reliable financial support of small business in the regions is another important problem, well-known to professionals and entrepreneurs themselves. According to the All-Russian Public Organization of Small and Medium-Sized Enterprises “OPORA Russia”, only about 21% of small businesses can expect to receive financial support when implementing their starting projects. And only one in four municipalities has any organizations for providing financial support to small business.

Extremely negative impact on the development of small businesses is caused by the low quality of justice, which generates additional threats not only to business, but also to all the other market participants. According to V.D. Zor'kin, Chairman of the Constitutional Court, the court system is flawed by corruption, nepotism, and the imperfection of the legal system. He supports this point with the research data, according to which 45% of entrepreneurs have faced the violation of their rights

by the authorities in recent years, and only 8% had problems with organized crime¹⁵. It is no coincidence that small entrepreneurs have a very high level of distrust in the judicial system. Among our respondents, the proportion of people who do not trust the court is 46%, while only 18% think otherwise. More than 53% of the respondents are sure that judges are corrupt, and only 13% believe in their integrity (among all the employed, respectively, 44.1 and 18.4%).

Due to these circumstances, as well as certain specifics of lifestyle, entrepreneurs engaged in small business have a low level of law-abidance. In the course of the survey 49.3% of the entrepreneurs agreed that in Russia it is impossible to live without violating the law (*tab. 1*). And this figure is 7.5 percentage points higher than that among all the employees. About one-third of the respondents (32.3%) more or less agreed with the statement “If the supreme state or political figures do not comply with the laws, then common people may do the same”. And almost a quarter of the respondents (23.4%) expresses the opinion that if a person believes the law is unjust, he/she has the right to “dodge it”.

The lack of a reliable and efficient judicial system, the lack of protection of property rights, the excessive interference

¹⁵ Zor'kin V.D. *Osvoboditel'nye reformy i pravovaya modernizatsiya Rossii: doklad na nauchno-prakticheskoi konferentsii “Velikie reformy i modernizatsiya Rossii”, Sankt-Peterburg, 3 marta 2011 g.* [Liberation Reforms and Legal Modernization of Russia: Report on the Research-to-Practice Conference “Great Reforms and Russia’s Modernization”, Saint Petersburg, March 3, 2011]. Available at: http://isknaisk.ru/index.php?option=com_content&task=view&id=2817&Itemid=31

Table 1. Evaluation judgments that characterize the attitude of the respondents towards the necessity to observe the law (in % of the number of respondents)

Judgement	Employed in general		Engaged in small business	
	Agree	Do not agree	Agree	Do not agree
If a person believes the law is unjust, he/she has the right to "dodge it"	19.7	59.8	23.4	59.0
in Russia it is impossible to live without violating the law	41.8	30.4	49.3	28.8
If the supreme state or political figures do not comply with the laws, then common people may do the same	28.0	49.8	32.3	50.6

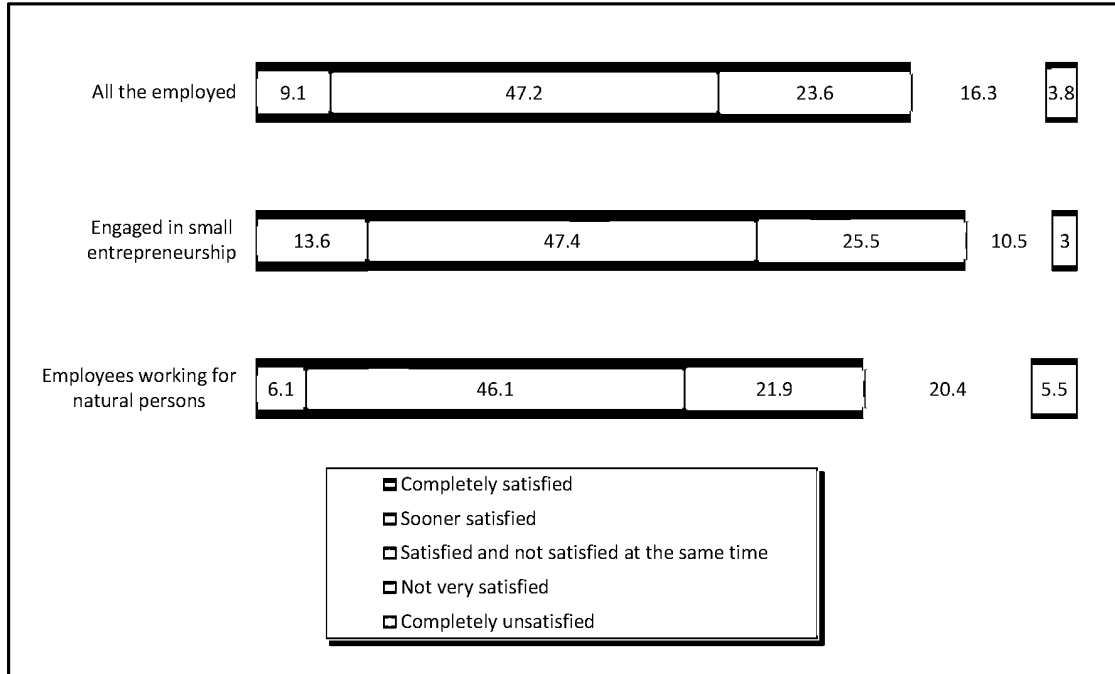
of law enforcement agencies in entrepreneurial activity, along with high taxes and all sorts of bureaucratic obstacles are the factors that hinder the development of existing business and impede the development of entrepreneurial activity. This can explain the fact that the surveyed entrepreneurs more often than other employed people indicate the importance of establishing fair and independent courts and ensuring law and order in the country. Entrepreneurs want to live and work in transparent and stable conditions, and as for their low level of compliance with the law, it is often forced, due to the fact that they constantly have to deal with crime, abuse of power and bribery of officials and the police.

The study reveals the ambiguity of social well-being of entrepreneurs engaged in small business, as a consequence of the inconsistency of living conditions and the heterogeneity of this category of employees. Relying on their own strength and capabilities, adapt to changing socio-economic conditions allow them to rate their health higher than with other people. As can be seen from figure 1, the representatives of the small business more than among employees in General, the proportion of

people in more or less satisfied with their lives (61% vs. 56.3 per cent), and almost one and a half times less than those who are dissatisfied with their existence (13,5% versus 20.1%). Noteworthy and noticeable predominance of this indicator dealing with small business and over engaged in gainful employment outside the enterprise (for individuals), a significant proportion of which is associated with the informal sector. Among the various professional groups, higher levels of social well-being differ only in the heads (representatives) of public authorities and management at all levels, as well as specialists of the highest qualification.

Assessing the current level of well-being taking into account specific circumstances, life in general, whether it is successful or unsuccessful, more than half of respondents described themselves as very happy and quite happy (21.5 and 32.5%, respectively). In addition, 37.1% of the respondents indicate that they are sooner happy than unhappy, and the proportion of those, who are not very happy or completely unhappy, amounted to only 8.9%. The feeling of happiness as the highest state of inner satisfaction with the conditions of one's existence does not rule out temporary

Figure 1. Satisfaction with their life in general (in % of the number of respondents)



dissatisfaction with certain aspects of life, including the relations in the family, at work, and other aspects of employment, health, etc. It is no coincidence that one in five respondents who consider themselves happy, was not able to say for sure that he/she was satisfied with his/her life in general.

In comparison with the majority of the population, entrepreneurs are more persistent and mobile – they change their place of residence and type of activity more often. They are more inclined to risk, more tolerable to temporary failures and unexpected obstacles, and they also feel successful and happy more often than people who are not involved in entrepreneurship. Those who are not engaged in entrepreneurial activities, most

often explain this by a lack of entrepreneurial talent, the need to pay high taxes, the imperfection and corruption of the judicial system, etc.

It is necessary to point out an interesting fact that not only entrepreneurs have an increased level of social feeling, but even those who only tried to start their own business. This may indicate that entrepreneurial activity appears to be a more important factor in the reduction of social discomfort than achieving success in this area. Having failed in one sphere of activity, enterprising and active people switch their attention to other spheres and most often find their niche. Part of such people is characterized by high willingness to act even when they assess

their opportunities as limited. And as practice shows, in the periods of social transformations and breaking points in life, it is people with inflated self-esteem that often turn out in a better position than those who follow the “voice of reason”. Inflated self-esteem becomes a way of mobilizing their own resource necessary for achieving success in another, more complex, level of social activity and moving into a more prestigious social group.

Entrepreneurs engaged in small business have a high level of satisfaction with their work in general, which is higher than the total level of satisfaction with the work among other employees (74.9% vs. 65.5%). They also have higher satisfaction with aspects of their work such as working conditions (67.4% vs. 64.2%) and, especially, labor remuneration (57.3% compared to 38.2%). But at the same time, many respondents express the desire to earn even more. Many are not satisfied with occupational hazards such as high tension, irregular working day, absence of a normal work and rest schedule, etc. Independent entrepreneurial activity takes a lot of time and effort, which affects the psychological condition. Thus, the respondents engaged in the sphere of small business, experience the following conditions almost to the same extent as other workers: periodic depression (13.8% vs. 13.5%), weakness of memory (15.1% vs. 14.2%) and chronic insomnia (10.9% vs. 10.1%); but they are significantly more likely to feel anxiety and frequent panic attacks (20.5% vs. 16.8%), nervousness (29.7% vs. 26%), fits of anger and spontaneous aggression (26.8% vs. 21.7%).

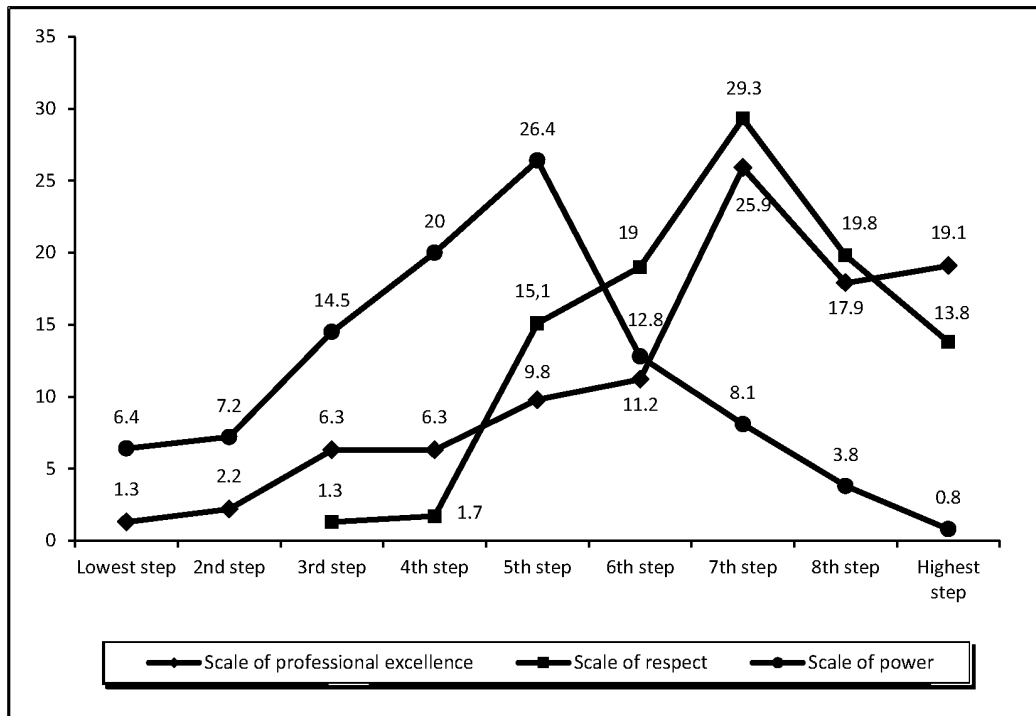
High level of job satisfaction among entrepreneurs corresponds to the high self-assessment of their professional skills. Defining their position on the 9-step scale of professional skill (“beginner, student” – “high-class professional”), 62.9% of the respondents placed themselves at the three upper levels of the scale, and only 27.3% – at the three middle levels, and 9.8% – at the three lower levels (*fig. 2*).

Comparison of these data with the estimates of all the employed shows that entrepreneurs assess their skills higher than the working population as a whole, being second only to legislators, managers, and specialists of the highest level. But at the same time, their professional identification is not so pronounced in comparison to other employed.

Thus, if 68.7% of all the employed feel unity with people of the same profession and occupation, then the figure among the surveyed entrepreneurs is 63.6%. They are less concerned about the prestige of their work and the ability to influence other people. Few of them are eager to learn new knowledge and technology. In the last 12 months preceding the survey, only 2.5% of them attended certain educational courses, including language courses and vocational training.

Currently there is not much hope for intensive change in the mass notions of this category of the employed, which make it possible to assess the extension of the process of formation of modernization consciousness that can become a factor in economic recovery. We agree that small businesses have already made a significant

Figure 2. Distribution of the respondents by the levels of the scales of professional excellence, respect and power, %

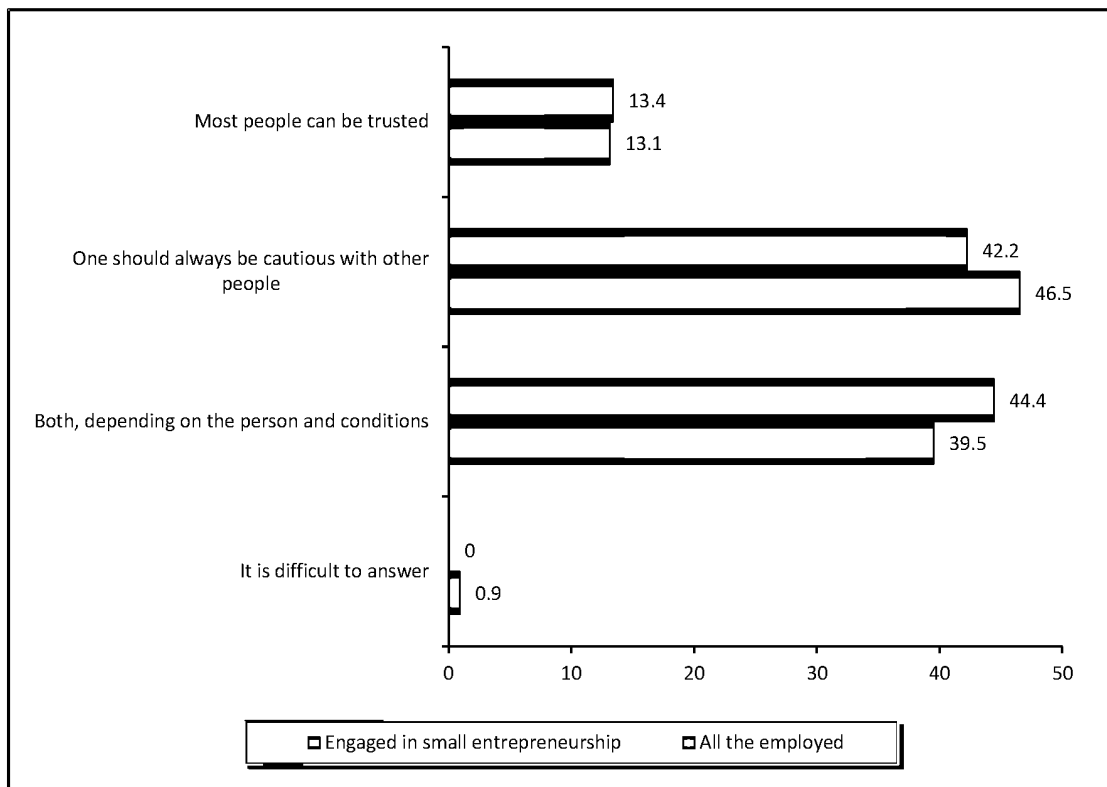


contribution to the modernization of retail trade and consumer services, but its insufficient penetration in “high-tech” sectors such as industrial production and scientific research indicates its minor role in those innovation processes that are a crucial factor in scientific and technological progress and economic growth¹⁶. And over the years, this situation does not change, in fact. Although, as the experience of most developed countries shows, the role of small business in innovation can be very significant.

¹⁶ Diligenskii G.G. *Lyudi srednego klassa* [People of the Middle Class]. Moscow: Institut Fonda “Obshchestvennoe mnenie”, 2002. P. 162.

A vast majority of surveyed small employers assess highly not only the level of their professional skills, but also the attitude of other people toward them. This can be proved by simply indicating that, according to self-assessments, 62.9% of the respondents placed themselves at the three upper levels and 35.8% – at the three stages of the mid-level of the 9-step scale of respect. As for the estimates of possession of authority, they prove to be much lower: only 12.7% of the respondents say they have great authority, while the majority, reaching 59.2%, is located on the mid-level of this scale, and 28.1% say they do not possess any authority and place themselves at the three lower levels.

Figure 3. Level of trust in other people (in % of the number of respondents)



Entrepreneurs have a more rational and pragmatic approach in assessing how to build relationships with other people. We are talking about trust in other people in general, i.e. in strangers who are not relatives, friends, close friends, co-workers, colleagues, etc.; such trust is called generalized trust in modern English scientific literature.

The presence of this trend is evidenced by the increased percentage of persons who share a rather pragmatic viewpoint, i.e. they believe that one should trust or not trust other people depending on what qualities they have, what are their virtues and

shortcomings, and how they behave in particular situations, etc., (*fig. 3*). But, when considering these data, one should not overlook the fact that “the decision to trust or distrust is generated mainly by the emotional sphere, and its rationalization in many cases requires a lot of efforts and skills”¹⁷. As for those who believe that most people can be trusted, there are as few of them among entrepreneurs as among persons with other types of employment (13.4% vs. 13.1%).

¹⁷ Belyanin A.V., Zinchenko V.P. *Doverie v ekonomike i obshchestvennoi zhizni* [Trust in the Economy and Public Life]. Moscow: Fond “Liberal’naya missiya”, 2010. P. 66.

The analysis shows that the failure in starting one’s own business, the failure in organizing any other private business significantly increases the distrust of an individual in other people.

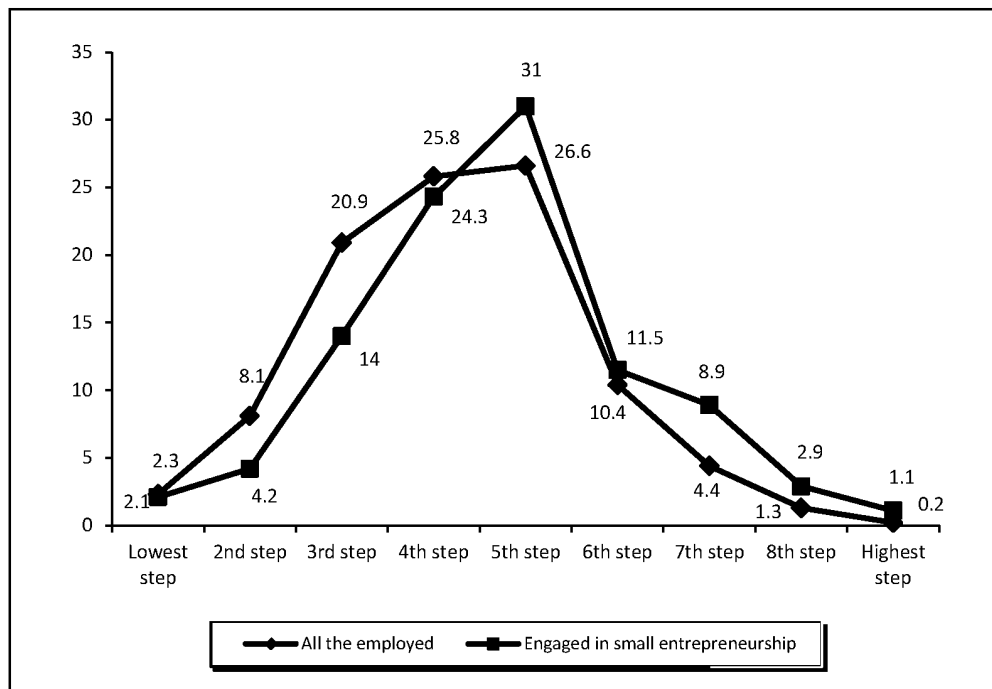
More than half of losers believe that one should always be very careful and cautious with other people, while only 36% share a rational and balanced viewpoint. The rational viewpoint is shared mainly by legislators, public officials, senior and middle managers, and specialists of the highest qualification, i.e., the most educated and informed citizens, many of whom have extensive experience in leadership and in working directly with people.

The level of satisfaction of small entrepreneurs with their financial situation

is only slightly higher than that among the rest of the employed (31.8% against 25.9%). But the differences were even less significant in the estimates of the changes in financial position of one’s family in the year preceding the survey.

For instance, among the representatives of small business, 31.4% feel the improvement of the financial position of their families, and only 9.2 say it has deteriorated, while the majority has not noticed any serious changes. At the same time, these shares among other employed are, respectively, 31 and 12.2%. The overall picture of the financial situation of the respondents engaged in small business is supplemented by the following data (fig. 4).

Figure 4. Distribution of the respondents by levels of the scale of financial well-being, in %



As for the purchasing opportunities of small entrepreneurs, they far surpass the opportunities of other employees. In particular, among the representatives of small business there are in 1.5–2 times more of those who are able to improve their housing conditions, i.e., to buy an apartment, house, part of the house (20.9% vs. 10.1%); to save money for major purchases, like a car, house, furniture, jewelry, etc. (42.3% vs. 24.8%); to spend a family vacation abroad (34.3% vs. 22%). In addition, among those entrepreneurs to whom it applies, 85.5% are able to pay for their children's extra tuition at music school, language courses, sports clubs, creative circles; 69.7% can pay for their children's tuition at the university (among other employed – 44.1 and 67.7%, respectively).

These differences are even more significant if we consider the quality of purchased goods and services. Obviously, people with different financial well-being have different views on what it means to improve their living conditions, to buy a new car, to choose a prestigious university for their child.

Those engaged in small business show moderate optimism or anxiety in the estimates of personal and family life prospects. In recent years, like many other people in general, they have no expectations of drastic deterioration of life; they also have no confidence that the situation will improve or remain stable. Their life plans are cautious, but quite pragmatic. In late 2012 45.6% of the respondents hoped for a

better life in the next 12 months, and 36% – for the preservation of the achieved level of well-being.

And at the same time, 61% of the respondents expressed concern that they will not be able to provide themselves with even the most necessary things in the course of the next year, while the absence of anxiety in this respect was typical only for one in every four people. About 46% of the respondents are to a greater or lesser extent concerned that they might lose their job.

It is necessary to pay attention to the fact that entrepreneurs, who are engaged in small businesses, are distinguished by a particularly noticeable influence of the nature and results of their professional activity on the degree of satisfaction with their life in general, and on the assessment of personal and family life prospects. They show a more pronounced dependence of the increase in the anxiety about the fact that in the course of the next year they will not be able to provide for themselves, on the reduction in the level of job satisfaction in general and its aspects such as wages, as well as on the growing concern about possible loss of work.

Thus, in its daily activities small business faces great difficulties, many of which require close attention. They include various kinds of administrative and tax barriers, high fines and corruption fees, lack of investment, lack of a reliable system of financial support in the regions, flaws in the judicial system, instability of legislation, low financial strength and general survival of small business. All this reduces the

level of entrepreneurial activity of the population; it also has a negative impact on social well-being of entrepreneurs and forces many of them either to choose

those areas of activity that do not involve significant costs and provide a rapid return on investment, or to abandon the business and move to the shadow economy.

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