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Administrative Barriers to the Growth of Microenterprises: Typology and Empirical Assessment



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Abstract. In order for the Russian economy to become “stable and dynamic”, as it is stated in one of Russia’s national goals, it is necessary to search for economic growth sources. Microenterprises may become one of them; this type of business is most widespread, although not enough research is devoted to its research. The key reason that impedes the development of microenterprises is the barrier that makes it difficult for them to move into another category. Only 3% of actors are able to overcome the barrier of increasing administrative burden, and grow from micro- to small enterprises. The consequences are the problems of artificially slowing growth, non-payment of taxes and fragmentation of business. The aim of the research is to empirically identify and develop a typology of microenterprise growth groups in the regions of Russia based on their overcoming the barrier to transition to small business, and to assess regional and sectoral differences for national and regional economic growth. Using the methods of text mining and content analysis of foreign and Russian publications, we introduce the term “administrative barrier to the growth of small and midsize enterprises”. To understand the scale of the problem, we create a typology of microenterprises, which includes four growth groups: those who did not approach the barrier, those who approached it, those who were close to the barrier, and those who overcame it. The provisions of our paper are of theoretical importance and can contribute to the evolutionary theory of company growth. For an empirical assessment, we analyze an extensive unique database on the growth of 63,674 microenterprises from the SPARK service (all industries and constituent entities of the Russian Federation over a five-year period). Scientific novelty consists in our methodological approach that makes it possible for the first time to establish the number of microenterprises whose growth slowed down due to the transition barrier. Correlation analysis methods have confirmed the hypothesis about the increased ability of microenterprises in the manufacturing industry to overcome the transition barrier. The acquired knowledge raises scientific and governmental awareness of the importance of growing microenterprises’ development. Practical significance of the methodology consists in identifying microenterprises with growth potential from a large array of microenterprises in the region and also in forecasting barriers to development. It is necessary to put forward scientifically substantiated prerequisites for overcoming barriers, and to take them into account in the emerging policy aimed to support growing microenterprises as a priority category.

Key words: growing microenterprise, barrier to SMEs growth, company growth theory, content analysis, administrative barrier, microbusiness, growth source, small and medium entrepreneurship.

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Introduction

The President of the Russian Federation V.V. Putin noted: “The pace and, most importantly, the quality of growth make it possible ... to assert that ... we ... will be able to become one of the world’s fourth largest economy”¹. The question arises: who will realize such intensive economic growth? The list of untapped growth drivers is limited. Microenterprises are proposed to consider

¹ Presidential Address to the Federal Assembly on February 29, 2024. Available at: <http://www.kremlin.ru/events/president/transcripts/messages/73585> (accessed: March 4, 2024).

as a source of additional economic growth. First, among all categories of business, microenterprises are the most massive segment – 5.9 million entities, or 95.8% of business². The greatest attention of both politicians and researchers in Russia is traditionally paid to the less widespread categories: small enterprises (227.3 thousand subjects, or 3.7% of business), medium enterprises (20.7 thousand, or 0.3%) and large business (13.6 thousand, or 0.2%). Second, comparing the available data, we can conclude that microenterprises make an increased contribution to economic growth (second only to large businesses). The revenue of microenterprises for 2020 amounted to 44.1 trillion rubles, which is more than that of small (26.6 trillion rubles) and medium (10.0 trillion rubles) enterprises³. Third, larger firms are more easily resilient to environmental conditions, including growth barriers, than micro and small enterprises (Ernst, 2004). Given the significance and scale, the focus of the study was directed to such a relevant and rare object of research as growth-oriented microenterprises.

Administrative and other barriers to the development of microenterprises have long been a problem. According to the Ministry of Economic Development of the Russian Federation, only 3% of microenterprises out of all small and medium enterprises (SMEs) moved to the category of “small enterprises” for the period 2021–2022⁴. For the transition the subject is required to exceed the value of the established criteria. One of the key criteria is the size of the business, determined primarily by the volume of revenue. It is required that the revenue exceeds the value of 120 million rubles for three

consecutive years⁵ to reach the category of a small enterprise.

The legislation establishes a stricter administrative burden for small enterprises. In particular, the transition of microenterprises is hampered by such administrative barriers to growth as increased taxes (Litau, 2013), reporting, supervisory inspections⁶ and others. To avoid this, some microenterprises start to artificially split the business by dividing it into several new entities. On the one hand, if after the split the separated enterprise grows, it contributes to the increase. But it cannot be evaluated separately. On the other hand, fragmentation leads to non-payment of a significant part of taxes. The barrier not only creates additional risks for the microenterprise itself, but also increases the negative consequences for Russia’s economic growth. The costs of enterprises from fragmentation reduce economic growth, so the article considers the impact of microenterprises on economic growth through the rise of microenterprises themselves, overcoming the relevant barrier.

Representatives of the authorities also point to this problem, noting that conditions are needed so that, starting from microenterprises, businesses can move smoothly into the next category⁷. Daniil Egorov, Head of the Federal Tax Service, called the problem of barriers to the transition of business into larger forms not fully explored⁸. To address these problems, the authorities plan to prioritize a

² Statistics. *SME.RF Digital Platform*. Available at: <https://mcnp.pf/analytics/> (accessed: July 17, 2024).

³ Results of the continuous monitoring of the activities of small and medium enterprises in 2020. *Federal State Statistics Service*. Available at: https://rosstat.gov.ru/small_business_2020 (accessed: February 22, 2024).

⁴ The authorities proposed to fine-tune support for small and medium businesses. *JSC ROSBIZNESKONSALTING*. Available at: <https://www.rbc.ru/economics/29/05/2023/647455269a794773b153a168> (accessed: May 31, 2023).

⁵ On the development of small and medium enterprises in the Russian Federation: Federal Law 209-FZ, dated July 24, 2007. Available at: https://www.consultant.ru/document/cons_doc_LAW_52144/08b3ecbc9a360ad1dc314150a6328886703356/ (accessed: February 19, 2024).

⁶ Growing SMEs in Russia and abroad: role and place in the economy (2010). Moscow: Foundation Small Business Resource Center. 63 p. NISSE. Available at: https://nisse.ru/articles/details.php?ELEMENT_ID=129340 (accessed: January 23, 2024).

⁷ Meeting of the Government Commission for the Development of Small and Medium Enterprises. Available at: <http://government.ru/news/48593/> (accessed: May 31, 2023).

⁸ The authorities proposed to fine-tune support for small and medium businesses. AO “Rosbusinessconsulting”. Available at: <https://www.rbc.ru/economics/29/05/2023/647455269a794773b153a168> (accessed: May 31, 2023).

group of “growing microenterprises”⁹. It is expected that their qualitative growth will occur as a result of support. The support is expected to result in their qualitative growth. This problem is specific to Russia, so it is necessary to identify microbusinesses whose growth is constrained by barriers. Under these conditions, there is a growing need to study the microenterprises’ ability to overcome barriers to transition to a larger business category.

Addressing these challenges is limited by the lack of academic research on the transition barriers of microentrepreneurs. The uniqueness of the category lies in the fact that microenterprises are often created through entrepreneurial spirit and are characterized by flexibility, innovation (Eneh, Okezie, 2009). Foreign researchers show that microenterprises play a key role in poverty alleviation. For example, it is believed that poverty in developing countries such as the Asian Tigers has been reduced by 20% in two decades due to the development of micro, small and medium enterprises (Eneh, 2007; Ogunsanya, 2007). However, only a few microenterprises actually play a critical role in stimulating economic progress, as part of this sector is satisfied with its current situation and does not attempt to grow.

Under these conditions, microenterprises are a relatively new and insufficiently studied object of the article (Zemtsov, Maskaev, 2018). Gradually, researchers from describing the problems of microenterprise development, studying their sectoral and regional characteristics (Ibragimova, 2016) are moving to a systematic understanding of their contribution to national and regional economic growth (Ernst, 2004; Eneh, Okezie, 2009). For instance, the authors note that microenterprises account for a significant share of the gross product created (Mirkina, 2023). However, the potential of microenterprises as a source of economic growth in Russian regions is insufficiently assessed.

⁹ Meeting of the Government Commission for the Development of Small and Medium Enterprises. Available at: <http://government.ru/news/48593/> (accessed: May 31, 2023).

The significance of the scientific problem solved in the study lies in the lack of reliable knowledge about growing microenterprises as a segment selected by the Government of the Russian Federation as a priority category capable of making an increased contribution to GDP growth¹⁰. Achievement of the government’s plans is hampered by insufficient elaboration of theoretical provisions on the barriers of growing microenterprises and limited tools for their analysis.

The aim of our research is to empirically identify in Russian regions and develop a typology of microenterprise growth groups on the basis of their overcoming the barrier of transition to a larger category of business, as well as to assess regional and sectoral differences for national and regional economic growth. In this regard, we have set the following tasks:

- 1) generalization of the conceptual and terminological apparatus and introduction of the term “administrative barrier to the growth of SMEs” by means of text mining and content analysis of foreign and Russian scientific publications;
- 2) development and testing on empirical data of the typology of microenterprise growth groups on the basis of their overcoming the barrier of transition to a larger business category;
- 3) creation of a methodological approach to establish a microenterprise growth group depending on proximity to the barrier for a wide range of subjects, Russian regions and industries;
- 4) identification of microenterprises, including two groups: those that continued growing (moved to the category of “small enterprise”) and those that did not overcome this barrier.

The scientific novelty of the study is expected to lie in our own original approach to the segment of “growing microenterprises” (an extremely rare object of research) as an alternative source of economic growth.

¹⁰ Ibidem.

Scientific approaches to understanding administrative barriers to SMEs growth: review of definitions

The scientific basis for studying the enterprise growth is the existing set of microeconomic theories of growth, including stochastic, evolutionary and strategic theories. Within the framework of the evolutionary theory of company growth, I. Adizes proposed to distinguish special barriers to growth in the concept of the life cycle of an organization (Adizes, 1988). He reflected several scenarios of barriers occurrence at different growth cycles (e.g., “death in infancy”, “founder’s trap”, etc.). But the conceptualization did not directly point out the relationship of these negative scenarios to barriers of transition to a larger business category.

Publications periodically raise the problem of companies’ transition from one category to another. Researchers traditionally emphasize the issue concerning transition of small enterprises to medium enterprises. It was noted that the refusal of growth occurs because “in Russia, small businesses have no serious incentives to become medium”¹¹. But the barrier to growth for microenterprises was not considered (although it is the one that arises earlier). There were only some attempts to calculate the number of enterprises that changed their category from small to medium and (or) large business¹². Sometimes the transition of medium companies to large ones is emphasized. Interesting approaches to identifying barriers to transition are beginning to emerge. For example, a research question is posed: where the growth of successful SMEs “transitions”: (a) they continue growing, gradually becoming large, including absorbing other growing companies; (b) they are absorbed by a large business or were originally subsidiaries and dependent on it and due to this growth; (c) they lose the speed of development and “split” into

smaller ones, approaching some barrier” (Blokhin, Glukhov, 2024). Unfortunately, not all provisions can be applied to assess transition barriers in microenterprises, e.g., to measure growth caused by affiliation with large companies, banks, retail chains, as such data are limited.

Researchers are not as active in linking growth barriers to the problems of microenterprise transition as Russian authorities. For example, Minister of the Ministry of Economic Development of Russia, M.G. Reshetnikov noted that microenterprises “cannot cope with growth barriers”¹³.

In this article, we searched for this and similar definitions to summarize the approaches to the content of the term “administrative barrier to growth”. We applied the methods of text mining and qualitative content analysis (Glukhikh, 2022) of foreign and Russian studies. We compiled a large set of search words (more than 50). They were used to search for relevant concepts. We used the following resources in the search: 1) Google search engine; 2) Google Scholar; 3) Bing search engine; 4) CyberLeninka electronic library; 5) ChatGPT 4o chatbot for collecting and reviewing publications (in accordance with the researchers’ recommendations to consider ChatGPT as an assistant in literature review and information gathering (Bringula, 2023)).

A lengthy search did not turn up a definition that clearly denotes growth (*Tab. 1*). The only exception is the first definition, which gives a related, but not equivalent concept “institutional barriers to company growth”, including not only administrative factors, but also other external conditions. We also found several definitions that use the category “growth” and similar ones in their content. More often there are terms related to “administrative barriers”, insufficiently reflecting the negative impact on growth. Only sometimes barriers are described as obstacles to the development of SMEs. Barriers are treated in the same way

¹¹ Growing SMEs in Russia and abroad: Role and place in the economy (2010). Moscow: Foundation Small Business Resource Center. 63 p. NISSE. Available at: https://nisse.ru/articles/details.php?ELEMENT_ID=129340 (accessed: January 23, 2024).

¹² Ibidem.

¹³ Meeting of the government commission for the development of small and medium enterprises. Available at: <http://government.ru/news/48593/> (accessed: May 31, 2023).

Table 1. Overview of definitions close to the term “administrative barrier to the growth” of SMEs

Definition	Author(s), year	Advantages of the definition	Limitations of the definition
The term itself uses the category “growth”			
“Institutional barriers [to company growth], i.e. non-market obstacles created by the conditions of the legal environment, major market players, business customs, rules for servicing VIP clients by market infrastructure organizations, and opportunities for organizational and management reform of companies”	(Blokhin, Likhachev, 2021)	Generalizing characteristic, is clarified thanks to the feature containing various reasons for the emergence of barriers, which better helps to understand their complex nature; the importance of institutional barriers to economic development is emphasized	Due to the extensive coverage, it is more difficult to perceive the specific impact of each factor on the enterprise; there is uncertainty about the impact of barriers on the business climate and entrepreneurship
The definition uses the category “growth” and similar, but not in the term			
“Administrative barriers, i.e. numerous obstacles on the part of government and management bodies related to the need to comply with mandatory rules and procedures stipulated by legislative and regulatory acts, as well as acts and actions of government bodies and their officials, which unreasonably restrict the freedom of entrepreneurial activity and impede the creation and development of new entrepreneurial structures”	(Kochmola, Evlakhova, 2004)	The definition cites two sources of barriers rather than one, including the activities of legislative and executive authorities, inspectors, etc...; several ways in which the barrier may arise (acts and actions of legislators, officials); the severity of the problem is emphasized and the impact on the enterprise is indicated as a consequence of the existence of the barrier	It does not specify which categories of barriers are meant; the definition does not well group the ways in which a barrier appears (“rules” and “procedures” are separated from “acts”, but together with “actions”).
“In this article, by the term “administrative barriers” we mean external unfavorable factors, conditions for the creation of a new business or the development of an existing firm”	(Romiti et al., 2011)	The importance of conditions for new business creation and the development of existing firms is pointed out	There is no indication of the concretization of barriers, including sources of their occurrence and manifestation
“Administrative barriers were defined as special limitations to further development of business processes, which is associated with a low level of efficiency of the functioning of the public administration system in partnership with small private enterprises and individual entrepreneurs”	(Pliev, 2016)	The link between barriers and poor public administration performance is pointed out, which requires attention to management problems; Specific implications for business processes are emphasized, which is important for practical application	The focus is on the low level of efficiency, the criteria for which are not specified, which makes its consideration more subjective

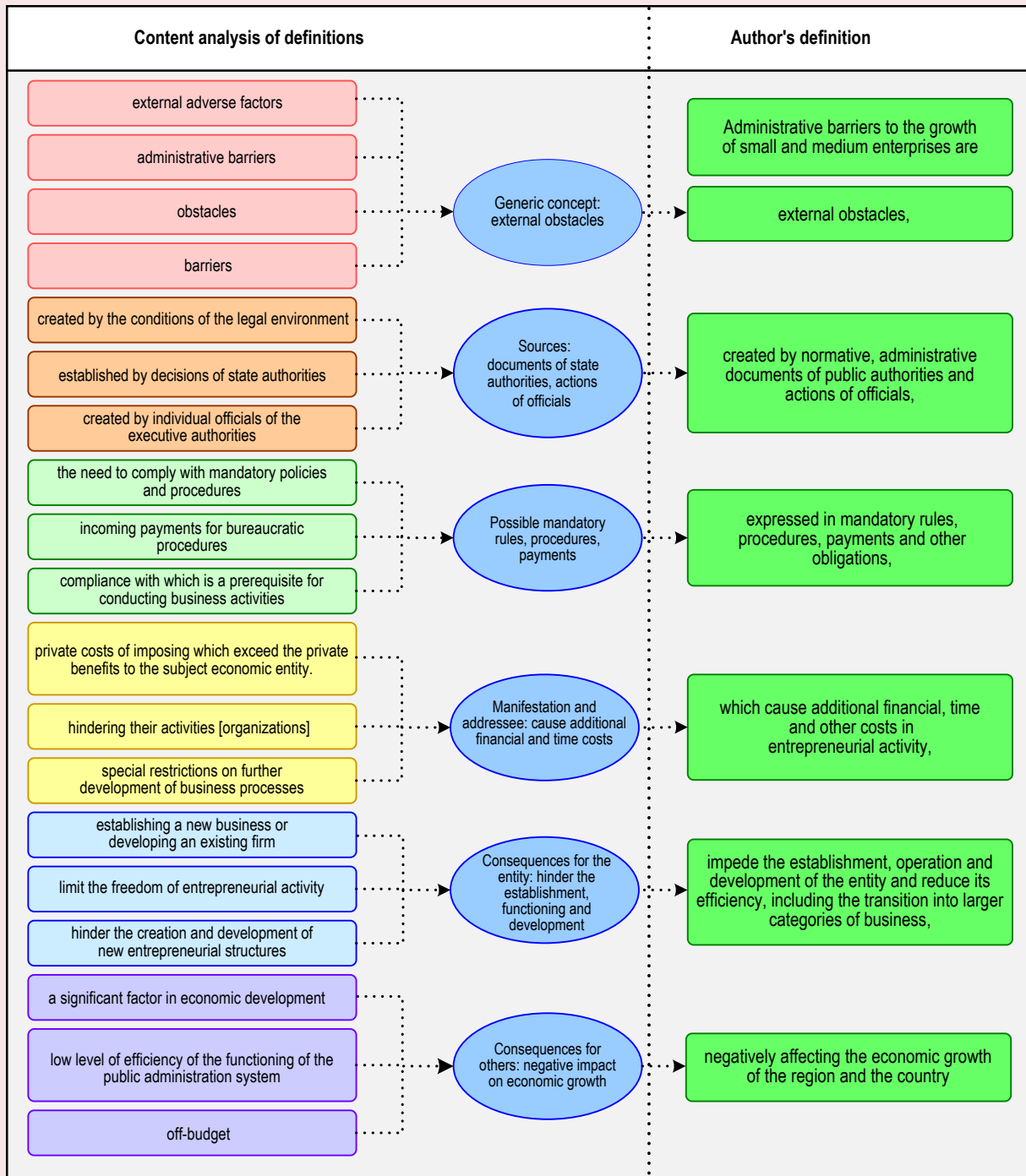
End of Table 1

Definition	Author(s), year	Advantages of the definition	Limitations of the definition
<p>Neither the term nor the definition uses the category of “growth” and similar ones</p> <p>“Administrative barriers are rules established by decisions of state authorities, compliance with which is a mandatory condition for conducting activities on the market, imposing payments for passing bureaucratic procedures, which are usually not received by the budget”</p>	(Auzan, Kryuchikova, 2001)	<p>The definition contains a broad generalizing characteristic, which is narrowed down by a feature (mandatory condition); the way in which the consequences appear and the result of their activity is specified</p>	<p>The definition gives limited representation of the ways in which the barrier occurs; other consequences, such as time costs, are ignored</p>
<p>“Administrative barriers are actions of executive authorities expressed in the form of adoption of regulatory, administrative documents contrary to the current legislation and regulations of the Russian Federation, as well as related to the abuse and excess of their authority in their control and supervision of the activities of business entities”</p>	RF Government Resolution, 2005*	<p>The definition is characterized by high legal precision; abuses and excesses of authority in control and supervision are described; contradiction with the current legislation is pointed out, which strengthens the understanding of the problem</p>	<p>Systemic barriers caused not by contradictions in legislation and illegal actions, but by unnecessary regulation are excluded; Legislative bodies are not identified as the source of barriers</p>
<p>“Administrative barriers are obstacles placed by the state in front of organizations, making it difficult for them to operate and not leading to improvements in the functioning of the state”</p>	(Manushin, 2014)	<p>Two types of consequences of barriers are cited: 1) hindering business operations; 2) impairing government functioning</p>	<p>Barriers caused by ill-considered policies and officials are not considered</p>
<p>“Administrative barriers in the economy – formal mandatory rules for conducting business activities in the markets of goods (services) established by state and local authorities, the private costs of introduction of which for the economic entity subject to them exceed the private benefits of their introduction, taking into account the income effect”.</p>	(Potii, 2018)	<p>The financial impact of barriers is given as a ratio of costs that exceed benefits; both state and local governments are taken into account; the definition emphasizes the formal nature of the ways in which barriers arise</p>	<p>The focus is on the financial consequences and other negative effects are not taken into account; it is not clear whether the sum of all costs is included or only certain (large) costs that exceed the benefits.</p>

* On the procedure for the development and approval of administrative regulations for the performance of state functions and administrative regulations for the provision of state services: RF Government Resolution 679, dated November 11, 2005. Available at: http://www.consultant.ru/document/cons_doc_LAW_56460 (accessed: June 31, 2024). Source: own compilation.

regardless of whether it concerns a micro, small or medium business. The term “administrative barrier to growth” requires definition and standardization in scientific and applied research, so we conducted a special content analysis of the definitions presented above to identify the most significant provisions and develop our own definition that allows taking into account the most complete list of elements describing the barrier (Fig. 1).

Figure 1. Content analysis of concepts close to the term “administrative barrier to the growth” for SMEs



Source: own compilation.

The existing theoretical provisions defining the barriers are applied as initial ones. We propose to expand the conceptual and terminological framework with our own term “administrative barriers to growth”. Administrative barriers to the growth of small and medium enterprises are external obstacles created by regulatory, administrative documents of public authorities and actions of officials, expressed in mandatory rules, procedures, payments and other obligations, which cause additional financial, time and other costs in entrepreneurial activity, complicate the creation, functioning and development of the subject and reduce its efficiency, including the transition to larger categories of business, the negative impact of the administrative barriers to growth of small and medium enterprises. Unlike existing concepts, our interpretation reflects the key role of business growth, which is negatively affected by the effects of the barrier. Also, all the main elements of the barrier description are reflected simultaneously, including the generic concept, which is further clarified by several sources, ways of occurrence and manifestation of the barrier, subjects experiencing the effect of the barrier (their status and features of the period of functioning), consequences of the existence of the barrier for the subjects and higher systems. The advantage of such a definition is the systemic approach, which allows taking into account the maximum number of various administrative barriers to growth and identify them more accurately, but not to mix them with internal barriers related to the entrepreneur’s own readiness for growth.

The completeness and depth of the review of publications allows concluding that the article is aimed at a topical area that has been insufficiently explored in the international and Russian scientific literature. The problematic is relatively new and there is a certain gap of scientific knowledge. Despite the gradual growth of interest in this topic,

the above-mentioned works did not distinguish growth groups of microenterprises depending on their proximity to the barrier, and even less their empirical assessment in the sectoral and regional context in Russia.

Methods and materials

There are methodological limitations of research on this topic. Qualitative growth, as well as other important advantages of microenterprises, is on the periphery of official statistics and research (Serova, Churakova, 2017). To overcome the limitations, the systems approach is used as a methodological basis of the research, which allows identifying, analyzing, classifying the barriers of growing microenterprises.

With regard to small enterprises, some researchers have distinguished size groups on the border of small and medium businesses. For example, in the study of the Foundation “Small Business Resource Center” from 2010, when the limit on revenue of 400 million rubles was legally established for small businesses, the authors applied the following border zones: up to 40 million rubles, from 40 to 60 million rubles, from 60 to 100 million rubles, from 100 to 200 million rubles, from 200 to 400 million rubles and from 400 million rubles¹⁴. In another paper with regard to the border zone between SMEs and “non-SMEs”, a similar criterion established by the state, but between medium and large businesses – 2 billion rubles (Blokhin, Glukhov, 2024). Therefore, the application of the legally established limit on revenue is tested and justified.

Based on the existing theoretical and methodological provisions, as well as economic practice, we propose as a barrier to the growth of micro-

¹⁴ Growing SMEs in Russia and abroad: role and place in the economy (2010). Moscow: Foundation Small Business Resource Center. 63p. NISSE. Available at: https://nisse.ru/articles/details.php?ELEMENT_ID=129340 (accessed: January 23, 2024).

enterprises to analyze the boundary on the size of revenue used by the state to separate micro- and small enterprises (in recent years, it was 120 million rubles¹⁵).

We have developed the following typology of microenterprise growth groups on the basis of overcoming the barrier of transition to small business. In our approach in relation to the threshold value separating micro- and small enterprises, microenterprises can be conditionally divided into the following groups:

1) not approaching the growth barrier: the microenterprise's revenue was less than 100 million rubles during all five annual evaluation periods;

2) approaching the growth barrier: the value of revenue has passed 100 million rubles, but did not reach the threshold of 120 million rubles in one of the periods taken into account;

3) close to the barrier: when the amount of revenue tends to a threshold value (revenue was above 120 million rubles in one or two periods, rather than in three periods as required by law);

4) overcame the growth barrier: a microenterprise officially changed its category to a small enterprise (according to the SME register), i.e. its revenue exceeded the threshold of 120 million rubles "within three calendar years following one another" during three consecutive calendar years"¹⁶.

To understand the magnitude of the problem and to establish the number of enterprises actually facing the growth barrier, we attempted to identify them into these four groups.

It is also of scientific and applied interest to reveal sectoral differences, i.e. which types of microenterprises are more likely to overcome the

growth barrier. According to the state development institute (SME Corporation), "in 2021 the best dynamics of transitions from micro- to small and medium businesses were shown by catering, food delivery and construction, in 2022 the most active were enterprises in trade and restaurant sector"¹⁷.

Based on this information, the following hypotheses are formulated, which are important to test for validity:

– hypothesis 1: an increased share of microenterprises overcoming the growth barrier (moving to the category of "small enterprise" or "medium") is characteristic of the OKVED (Russian National Classifier of Types of Economic Activity) sector "activities of hotels and catering enterprises";

– hypothesis 2: an increased share of microenterprises that overcome the growth barrier (move to the category of "small enterprise" or "medium") is characteristic of the activity type "construction";

– hypothesis 3: an increased share of microenterprises overcoming the growth barrier (moving to the category of "small enterprise" or "medium") is characteristic of the activity type "wholesale and retail trade";

– hypothesis 4 (additional): an increased share of microenterprises slowing down before the growth barrier is characteristic of the activity type "wholesale and retail trade";

– hypothesis 5 (additional): an increased share of microenterprises that overcome the growth barrier (move to the category of "small enterprise" or "medium enterprises") is characteristic of the activity type "manufacturing industries".

Bivariate data analysis, including correlation analysis, was used to test hypotheses. To determine the significance of differences, Student's t-criterion with correction was calculated – the Benjamini – Hochberg method (Narkevich et al., 2020).

¹⁷ Demographics of small and medium enterprises. Available at: https://corpmsp.ru/pres_slujba/news/demografiya_malogo_i_srednego_predprinimatelstva/ (accessed: February 1, 2024).

¹⁵ On the limit values of income received from entrepreneurial activity for each category of small and medium businesses: Government Resolution 265, dated April 4, 2016. Available at: https://www.consultant.ru/document/cons_doc_LAW_196415/#dst100005 (accessed: January 17, 2024).

¹⁶ On the development of small and medium enterprises in the Russian Federation: Federal Law 209-FZ, dated July 24, 2007. Available at: https://www.consultant.ru/document/cons_doc_LAW_52144/08b3ecbc9a360ad1dc314150a6328886703356/ (accessed: February 19, 2024).

The object of the assessment was microenterprises operating in the period 2018–2022 in 84 regions of Russia¹⁸, including the NWFD regions, in a wide range of economic sectors (24 sectors of OKVED 2).

The validity of the research results was achieved by using a combination of information sources (databases: SPARK service, SME Register from the Federal Tax Service (FTS), Rosstat, etc.). Information from the SPARK database is traditionally used to analyze, among other things, the growth of Russian enterprises (Spitsyn et al., 2023; Blokhin, Glukhov, 2024)¹⁹. It includes state and other data of tax and financial statements of 13 million legal entities (large, medium, small, including microenterprises).

The process of obtaining data from SPARK service included selection of indicators: “Region of registration”, “Type of activity/industry”, “Income”²⁰, “SPARK registers”, etc. We selected the entire available time series (from 2018 to 2022). The convenience of this database is that all indicators are given in the context of each company for the specified years. To exclude the smallest business entities, the increased growth of which is caused by the effect of a “low base” for the “Income” indicator, we specified a minimum

value (at least 40 million rubles). A similar boundary is also used in one of the studies²¹. The maximum value at the beginning of the assessment period (2018) is no more than 120 million rubles. We carried out 121 data uploads from the service, which were then formed into a single database.

We carried out preparation and primary processing, quality check and assessment of data representativeness and other activities. After unloading the database, we formed a sample of microenterprises on its basis to meet the objectives of the study:

- excluded enterprises that, according to the legislation, are not recognized by the state as SMEs; limited inclusion in the sample of enterprises whose growth was ensured not by their own efforts, but by belonging to the state²²;
- priority study of microenterprises: the sample included enterprises that met the following requirements: a) the appropriate values for the amount of revenue (specified above) were set during uploading; b) according to the Federal Tax Service, the entity was a microenterprise as of 2018, i.e. there was a corresponding entry in the SME Register; c) the enterprise had no more than 15 employees in 2018;
- microenterprises, for which analysis is impossible due to the lack of necessary data (empty values²³ characterizing revenue for 5 years), were excluded from the sample.

As a result, the study sample included 63,674 microenterprises from 84 Russia’s regions. Comparison of official statistics data from Rosstat²⁴ and our own sample showed their high identity

¹⁸ Excluding new regions, as in 2022 the data on them were not yet reflected in the official statistics and database. The Nenets Autonomous Area is included in the Arkhangelsk Region.

¹⁹ “Gazelles” of transformation: results of the next annual survey of Russian high-growth companies. *SPARK information resource*. Available at: <https://spark-interfax.ru/articles/ezhegodnyj-obzor-rossijskih-bystrorastushchih-kompanij-2023> (accessed: January 17, 2024); RBC Rating: 50 Fastest Growing Companies in Russia 2021. AO “ROSBIZNESKONSALTING”. Available at: <https://trends.rbc.ru/trends/innovation/61c098129a79471217496cd1?from=copy> (accessed: February 5, 2024).

²⁰ In this case, the state and the database actually use revenue values rather than income values. Source: On the limit values of income received from entrepreneurial activity for each category of small and medium businesses: Government Resolution 265, dated April 4, 2016. Available at: https://www.consultant.ru/document/cons_doc_LAW_196415/#dst100005 (accessed: January 17, 2024).

²¹ Growing SMEs in Russia and abroad: role and place in the economy (2010). Moscow: Foundation Small Business Resource Center. 63p. NISSE. Available at: https://nisse.ru/articles/details.php?ELEMENT_ID=129340 (accessed: January 23, 2024).

²² *Success of SMEs in Russia* (2016). Moscow: Pero. 212 p.

²³ *Ibidem*.

²⁴ Results of the continuous monitoring of the activities of small and medium enterprises in 2020. *Federal State Statistics Service*. Available at: https://rosstat.gov.ru/small_business_2020 (accessed: February 22, 2024).

(the correlation coefficient is 0.9816). Such high comparability allows reasonably using own sample of enterprises, applying its main advantage – the availability of a wide set of data for each microenterprise. We performed sample preparation and calculations using MS Excel tools and Vortex10 software for collection, processing and analysis²⁵.

Main results of the research

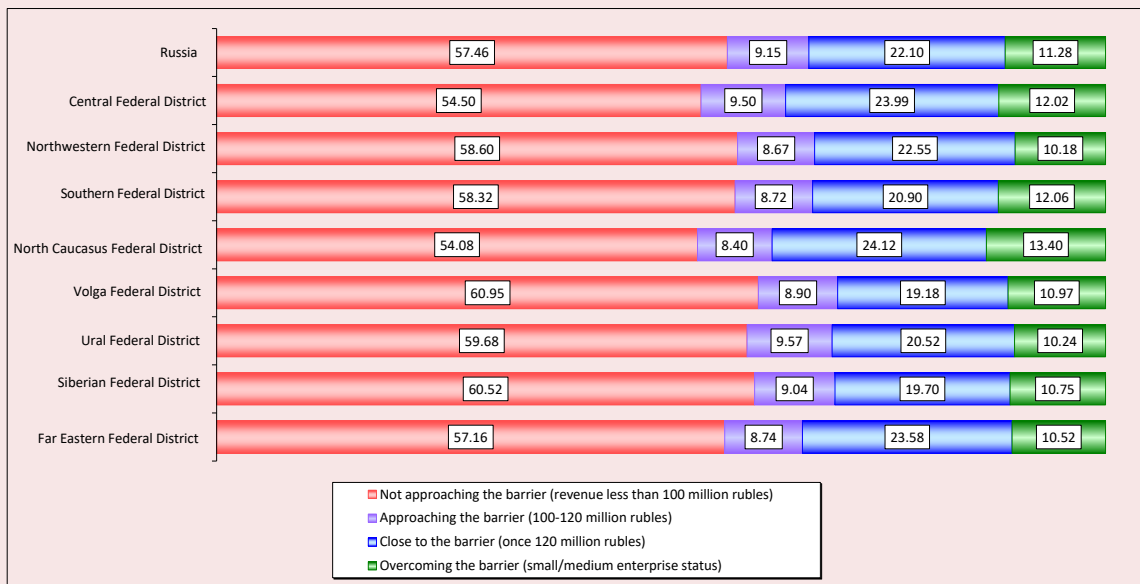
In the course of the work, we empirically tested the previously logically distinguished groups of microenterprise growth. Overall, our data shows that 7,307 entities, or 11.48% of those surveyed, overcame the first barrier and grew to the category of “small enterprise” in Russia over 5 years. Only 36 of them, or 0.06%, managed to overcome two barriers and become a medium enterprise. According to the Ministry of Economic Development of the Russian Federation, only 3% of microenterprises from all SMEs moved to the category of “small enterprise”. The difference between the value found and the

official estimate is explained by the features of the database (lack of financial indicators for some microenterprises) and the specifics of the study sample, including the exclusion of those who closed their business and actually do not operate (one-day firms). State data were based on all nominally registered microenterprises.

The above sample for Russia as a whole, federal districts and regions was used to check the presence and prevalence of four groups of microenterprises: those not approaching, approaching, close to the barrier and overcoming it, including in the context of different sectors of the economy (Fig. 2).

The best values of overcoming barriers to growth were demonstrated by the regions of the North Caucasus Federal District. Their microenterprises moved to the category of small business by 2.12% more often. The Southern (0.78% more than in the Russian Federation as a whole) and Central (0.74% more than in the Russian Federation as a whole)

Figure 2. Share of microenterprises by growth group, % of total number of microenterprises in the sample



Source: own compilation.

²⁵ Vortex10. Available at: <https://www.vortex10.ru/about/пазработка> (accessed: August 22, 2024).

federal districts were slightly better than the national average; the Volga (-0.31% less), Siberian (-0.53% less) and Far Eastern (-0.76% less) federal districts were slightly worse than the national average. The Ural (-1.04% behind the RF) and Northwestern federal districts (by -1.10%) demonstrated the lowest indicator of overcoming the growth barriers. The lower values in the Northwestern Federal District are explained by the low share of overcoming growth barriers by microenterprises

in construction (8.46% vs 9.54% in the RF) and agriculture (3.33% vs 12.41% in the RF).

Let us compare the sectors by the frequency of overcoming the growth barrier by microenterprises²⁶. In general, we found that for Russia, microenterprises from the OKVED sector “Water supply; wastewater disposal” have an increased (statistically significant) ability to overcome growth barriers (20.31% vs 11.28% for all types of activities, i.e. almost twice as much; *Tab. 2*).

Table 2. Share of RF microenterprises by growth group by industry, % of the total number of microenterprises in the sample

Type of economic activity (OKVED 2)	Not approaching the barrier (revenue less than 100 million rubles)	Approaching the barrier (100–120 million rubles)	Close to the barrier (1 time 120 million rubles)	Overcoming the barrier (small/medium enterprise status)	Total	Number of microenterprises in the sample
Water supply; wastewater disposal	49.89**	9.05	20.75	20.31*	100.0	453
Mining	47.37**	6.88	30.36*	15.38	100.0	247
Electrical energy	61.76	6.62	16.91**	14.71	100.0	272
Manufacturing industries	56.98	8.66	19.81**	14.55*	100.0	7,046
Agriculture, forestry	55.63	10.56	21.4	12.41	100.0	701
Wholesale and retail trade	54.63**	9.49	23.94*	11.94*	100.0	27,810
Information and communication	56.43	9.07	22.75	11.76	100.0	1,820
Healthcare and social services	73.10*	8.12	7.49**	11.29	100.0	788
Hotels and catering	65.18*	9.78	14.43**	10.61	100.0	1,933
Transportation and storage	60.42*	8.60	20.72**	10.26**	100.0	5,212
Building	57.67	9.01	23.78*	9.54**	100.0	9,223
Professional, scientific activities	60.62*	9.14	21.14	9.11**	100.0	3,009
Education	72.29*	10.84	8.43**	8.43	100.0	83
Administrative activities	65.04*	8.46	18.32**	8.18**	100.0	1,845
Public administration	84.62*	0.00**	7.69	7.69	100.0	13
Financing and insurance	48.16**	8.90	35.28*	7.67**	100.0	326
Real estate transactions	64.82*	8.96	18.90**	7.31**	100.0	2,243
Provision of other services	78.47*	5.74**	9.57**	6.22**	100.0	209
Culture, sport, leisure	63.72*	10.66	20.41	5.22**	100.0	441
Total	57.46	9.15	22.10	11.28	100.0	63,674
* It is significantly higher than the array as a whole.						
** It is significantly lower than for the array.						
Source: own compilation.						

²⁶ To assess the significance of differences in the table as a whole (industry/growth group), we used Chi-square statistical criterion. To assess the significance of differences between cells, we used Student's t-criterion with correction (Benjamini – Hochberg method).

It is worth testing the hypotheses of the study. We calculated Student's t-criterion with correction – Benjamini – Hochberg method for this purpose (Narkevich et al., 2020).

Hypothesis 1: the increased share of microenterprises overcoming the growth (transition) barrier is characteristic of the OKVED type “activities of hotels and catering enterprises”. In this area, the share of microenterprises overcoming the barrier (10.61%) was even slightly lower than the average share of microenterprises in all industries (11.28%). The difference is statistically insignificant; thus, the hypothesis was not confirmed.

Hypothesis 2: an increased share of microenterprises overcoming the growth (transition) barrier is characteristic of the activity type “building”. In building, this share is statistically significantly lower than in other industries (9.54% vs 11.28% for all microenterprises). Consequently, the hypothesis is also not confirmed.

Hypothesis 3: an increased share of microenterprises overcoming the growth (transition) barrier is characteristic of the activity type “wholesale and retail trade”. In trade, the share of those who coped with the barrier is approximately at the average level – 11.94% against 11.28% in general for all industries. The difference is statistically significant with an error probability of less than 0.05. The hypothesis is confirmed.

Hypothesis 4 (additional): the increased share of microenterprises slowing down before the growth barrier is characteristic of the activity type “wholesale and retail trade”. In the array as a whole, 22.10% of microenterprises slowed down before the barrier, while 23.94% of subjects slowed down before the barrier, which is significantly higher in the area of trade. The hypothesis was confirmed.

Hypothesis 5 (additional): the increased share of microenterprises overcoming the growth (transition) barrier is characteristic of the activity

type “manufacturing industries”. The share of manufacturing microenterprises that overcame the barrier amounted to 14.55%, which is significantly higher than in the array as a whole (11.28%). The hypothesis was confirmed.

Thus, we revealed and analyzed the main groups of microenterprise growth emerging in the federal districts of Russia. We identified industries with an atypical ability to overcome growth barriers, the frequency of microenterprises' transition to a larger category clearly differs from the average values for all industries, both for the better and for the worse.

Discussion

Our own study of growth barriers based on the analysis of financial data of microenterprises is unique. No similar research has been undertaken in Russia for the smallest and most mass category of business. Only partially the obtained results can be compared with the results of studies of small and medium enterprises²⁷. But they did not measure transition barriers, but only described the number of small enterprises that grew to the status of “medium enterprise”. Only one study estimated transition barriers, but they are applicable only when the “boundary” layer of companies is approximately from 0.5 or 1 to the threshold of 2 billion rubles of revenue per year (Blokhin, Glukhov, 2024).

We confirmed three of the five hypotheses. The data provided by the SME Corporation on industries that have overcome the transition barrier were not confirmed, as they contain data not only for micro- and small enterprises, but also for the period 2021–2022, while in our sample, the data were estimated for a five-year period. The differences could also

²⁷ *Growing Small and Medium Business in Russia and Abroad: Role and Place in the Economy* (2010). Moscow: Foundation Small Business Resource Center. 63 p. NISSE. Available at: https://nisse.ru/articles/details.php?ELEMENT_ID=129340 (accessed: January 23, 2024); *Success of Small and Medium Enterprises in Russia* (2016). Moscow: Pero. 212 p.

be influenced by the previously mentioned features of the database and the specifics of the selection of the microenterprises under consideration. For the sphere of retail and wholesale trade, we found that, first, the increased share of microenterprises slows down before the growth barrier (hypothesis 4), and second, the increased share overcomes the growth barrier (hypothesis 3). Other researchers, in particular E.Yu. Litau, point out that the revenue of a trading enterprise compared to the identical revenue of a manufacturing enterprise would indicate a different scale of business (Litau, 2013). Therefore, both differences identified confirm a different scale of business in trading. In general, trade microenterprises are more likely to have a larger business size than microenterprises in other industries.

It is confirmed that microenterprises in manufacturing are significantly more likely to overcome the growth barrier than in other industries in general (hypothesis 5). This finding is consistent, in particular, with the results of the study for Indian microenterprises. The probability of long-term performance is higher for manufacturing microenterprises compared to trade, probably because manufacturing experiences less volatility (Mor et al., 2020).

When applying the obtained scientific results, we should take into account that the sample exclude microenterprises for which SPARK database does not provide financial data. The category of “individual entrepreneurs” was not studied (data on them are also missing). The sample was limited in terms of revenue (companies with revenue of 40 million rubles or more were included) to eliminate the effect of a “low base” and one-day firms.

The practical application of our tested methodological approach can consist in its ability to identify growth candidates (microenterprises capable of overcoming the transition barrier) from a large array of businesses in the region, including forecasting their development to the category of

“small business” and “medium- companies”. The above allows concluding that our own approach to measuring the proximity of a microenterprise to the barrier gives a result that step-by-step reflects the actual approach, slowdown or overcoming by the enterprise of the transition barrier to the next category of business. The formed new scientific approach is able to attract the attention of other researchers to the identification and search for ways to overcome the barriers of microenterprise development (previously ignored source of economic growth).

Conclusion

The results obtained can contribute to the development of theoretical science, in particular to the evolutionary theory of firm growth, by supplementing it with our unique theoretical positions, including:

- for the first time proposed definition of administrative barriers to the growth of SMEs, which allows taking into account the most complete list of characteristics, including the sources of the barrier, ways of its emergence and manifestation, subjects who feel the need to overcome the barrier (their status and peculiarity of the period of functioning), the consequences of the existence of the barrier for the subjects and economic growth;
- developed typology of microenterprise growth groups based on overcoming the barrier of transition to a larger category of business.

The tested methodology, which includes the collection, downloading and analysis of an original set of empirical data from the SPARK database, has methodological significance that can contribute to the development of applied science. It helped us to obtain the following conclusions about the transition barrier of microenterprises in Russia’s regions:

- 11.48% of the microenterprises in the sample crossed the barrier and grew to the small enterprise category;

– about 31.25% of microenterprises may be hampered by the barrier of transition to the category of “small enterprise”;

– microenterprises from the sectors of water supply, manufacturing, wholesale and retail trade have an increased ability to overcome growth barriers.

For the first time empirically established the number of microenterprises suffering from the barriers of transition to the category of “small enterprise”, including a regional and sectoral comparison of two groups: those who failed to overcome the barrier and those who coped with it. The development of missing scientific approaches and provisions on the urgent and rapidly affecting the business environment and economic growth of the problem indicates the scientific novelty of the study of microenterprises.

The practical significance of the research lies in the obtained scientific knowledge, which was missing earlier, necessary for public and state awareness of the importance of development and special support for growing microenterprises in order to achieve sustainable economic growth. The methodological approach is able to establish

proximity to the growth barrier for a wide range of microenterprises in industries and regions of Russia.

In further research, it is necessary to supplement the considered administrative barriers to growth with a description of barriers of a different nature, for example, psychological attitudes of entrepreneurs regarding the necessity and possibility of further business growth. It seems important to propose and substantiate internal (in particular, cognitive) growth barriers related to the entrepreneur’s readiness for growth, as well as to assess their consequences, including sociological methods, within the framework of the strategic theory of company growth.

It is necessary to further develop science-based prerequisites for the process of transformation (transition) of microenterprises into small businesses through the transformation of the business environment. The identified prerequisites and system conditions for the growth of microenterprises and overcoming barriers should be the basis for the emerging policy of supporting the priority category of growing business as a source of economic growth.

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