



## STATE SUPPORT FOR SMALL AND MEDIUM-SIZED ENTREPRENEURSHIP IN REGIONS WITH RESOURCE ABUNDANCE

**SVETLANA ALEXANDROVNA ESIPOVA**  
Yugra State University - Russia

**YULIYA STEPANOVNA ROD**  
Yugra State University - Russia

**LINA SERGEEVNA KHROMTSOVA**  
Yugra State University - Russia

### ABSTRACT

**Objective:** The objective of the article is to investigate the influence of state paternalism on the development of small and medium-sized entrepreneurship in the northern region of the Russian Federation, unique in natural resources. A hypothesis is put forward about the propensity of the northern resource-producing region – the Khanty-Mansi Autonomous Okrug – Yugra to a paternalistic model of the functioning of the entrepreneurship institution, where state custody of economic agents is dominant. The article analyzes the measures of state support of small and medium-sized entrepreneurship, operating in the Russian Federation and Yugra, and considers foreign experience in this area. **Methods:** The main theoretical and empirical methods of the conducted research include analysis of literary and other sources on the subject of the study, analysis of expert interview data, as well as description of the research object employing descriptive statistical methods. **Results:** Based on interviews with entrepreneurs, representatives of state authorities, and organizations that form the state support infrastructure, conclusions are drawn that state support for small and medium-sized entrepreneurship should be considered as a necessary element for developing the economic activity of enterprises in the northern oil-producing region, however, not as the main one. **Conclusion:** To develop regional measures of state support for small and medium-sized entrepreneurship, the authors suggest the experience of foreign countries that have successfully built their models for developing and supporting small entrepreneurship.

**Keywords:** Paternalism. State support. Small and medium-sized entrepreneurship. Resource-producing region. Khanty-Mansi Autonomous Okrug – Yugra.



## APOIO DO ESTADO ÀS PEQUENAS E MÉDIAS EMPRESAS EM UMA REGIÃO COM ABUNDÂNCIA DE RECURSOS

### RESUMO

**Objetivo:** investigar o impacto do paternalismo estatal no desenvolvimento do pequeno e médio empreendimento na região norte da Federação Russa, único em suas riquezas naturais. É possível que a região produtora de recursos do norte -O Distrito Autônomo de Khanty-Mansiysk - Ugra seja propensa ao modelo "paternalista" de funcionamento das instituições empreendedoras, onde predomina a administração estadual dos agentes econômicos. O artigo analisa as medidas de apoio estatal às pequenas e médias empresas existentes na Federação Russa e na Ugra, e fornece experiência estrangeira nesta esfera.

**Métodos:** Os principais métodos teóricos e empíricos da pesquisa são os seguintes: análise de fontes literárias e outras fontes sobre o tema da pesquisa, análise de dados de entrevistas com especialistas, descrição do objeto de pesquisa por métodos estatísticos descritivos. **Resultados:** Com base nas entrevistas obtidas de empresários, representantes de autoridades estatais, organizações que formam a infra-estrutura de apoio estatal, conclui-se que o apoio estatal às pequenas e médias empresas deve ser considerado como um elemento necessário para o desenvolvimento da atividade econômica das empresas nas condições da região produtora de petróleo do norte, mas não como o principal. **Conclusão:** A experiência dos países estrangeiros que construíram com sucesso seus próprios modelos de desenvolvimento e apoio às pequenas empresas é oferecida como um desenvolvimento de medidas regionais de apoio estatal às pequenas e médias empresas.

**Palavras-chave:** Paternalismo. Apoio estatal. Pequeno e médio empreendedorismo. Região de extração de recursos. O Distrito Autônomo de Khanty-Mansiysk - Ugra

### INTRODUCTION

This study represents the final stage of research within the framework of a grant dedicated to the development of private entrepreneurship and land ownership institutions: "neoliberal" vs "paternalistic" models in the context of the abundance of natural resources. The interaction of "paternalistic" (assuming active state intervention) and "neoliberal" (excluding such interference) development models in forming entrepreneurship institutions in the context of the



abundance of natural resources was studied drawing on the example of Khanty-Mansi Autonomous Okrug (KhMAO) – Yugra, a unique in terms of natural wealth, ethnically and socio-culturally specific region of the Russian Federation.

Based on the previously obtained results, the conclusion was drawn concerning the propensity of the northern resource-producing region of the KhMAO – Yugra to a "paternalistic" model of the entrepreneurship institution with dominant state custody of economic agents.

As part of the study of the regulatory environment on the issues of entrepreneurship support, it was revealed that the greatest attention is paid to developing small and medium-sized entrepreneurship (SMEs) in the municipalities of the western and eastern zones of the spatial development of the region, which in turn is due, among other things, to the presence of a larger number of municipalities in these zones. In the context of specific municipalities, it was revealed that the largest number of documents on the support of SMEs has been developed and is currently in operation in the large industrial cities of the Autonomous District, namely, Surgut and Nizhnevartovsk, which causes a large concentration of SMEs in their territories.

The time section of data indicated that the largest number of regulatory legal documents in the field of support for SMEs was adopted in the municipalities of the region in 2018-2019, which is due to changes in 2018 of the state program of the KhMAO-Yugra "Socio-economic development and increasing the investment attractiveness of the KhMAO-Yugra in 2018-2025 and for the period up to 2030" of Subprogram IV "Development of small and medium-sized enterprises". The substantive part of the regulatory and legal documents in force in the territory of all spatial development zones most concerns various forms of financial support for SMEs (Esipova, Rod, & Khromtsova, 2019).

The further stage of the study allowed refuting the fact that state paternalism, manifested in various forms of state support for SMEs, operating in one of the most prosperous regions of the Russian Federation, due to the abundance of natural resources (primarily oil reserves), the KhMAO-Yugra, has a significant impact on the development of small and medium-sized entrepreneurship, as well as sole proprietors of the region. This was confirmed



both by the results of correlation and regression analysis and the results obtained by expert methods (questionnaires and interviewing entrepreneurs). State support should be considered as a necessary element for developing the economic activity of enterprises in the northern oil-producing region, however, not as the main one. Moreover, some entrepreneurs have noted that state support generates a dependent mood, that is, the desire to continue counting on state assistance. And in the case when this assistance is not provided again, that is, the state stops taking care of the entrepreneur, he accordingly closes his business.

Moreover, state intervention is not always regarded positively by entrepreneurs. Many do not expect and do not count on state support, while just wishing the state "not interfere with working quietly" (Esipova, Khromtsova, & Ptitsyna, 2020, p. 171).

At the final stage of the research, we will try to propose more effective measures of regional support that would contribute to developing SMEs operating in the territory of the District. This also becomes particularly relevant because, in the context of the COVID-19 pandemic, it was primarily small and medium-sized entrepreneurship that suffered most, which now urgently need state assistance to get out of the crisis.

## LITERATURE REVIEW

Many works of both foreign and domestic scientists are devoted to the problems of implementing state support for entrepreneurship.

The regional experience of state support of SMEs is analyzed in scientific publications by S.P. Zemtsov (2020), N.S. Ermashkevich (2019), V.G. Vorobyova (2019), and others.

Thus, Zemtsov (2020) focuses on the fact that

local conditions are important for developing entrepreneurship since most of the SMEs are connected with local markets. Currently, local authorities do not have sufficient incentives to support and develop SMEs, since most of



the revenues are directed to the federal budget, while the amount of subsidies for SME development is being reduced. Although there are examples of successful regions, such as Kaluga, Tyumen, Voronezh, Belgorod, Kaliningrad regions, the Republic of Tatarstan, etc. with proactive policies. In the future, one of the factors of SME development may be the competition of regions and cities in terms of doing business, which will require their greater budgetary and tax independence. (p. 170).

Ermashkevich analyzes the regions included in the Siberian Federal District (SFD). The most common measure of supporting SMEs in this district is tax support. "The SFD is only partially covered by state support measures, and SMEs (depending on the region in which they are registered) have unequal opportunities to access these support measures" (Ermashkevich, 2019, p. 14).

The dissertation research of Vorobyova, devoted to improving the system of state support for small and medium-sized enterprises of the Smolensk Region, structures mechanisms (in the form of leasing support, modernization of production, development of the consulting support process, entrepreneurship in priority areas, etc.) and tools (in the form of leasing grants, subsidizing interest rate costs, etc.) used to solve the problems of improving the efficiency of the SME support system in Russia with the allocation of agents (SME support infrastructure organizations in the Smolensk region). The author suggests a new mechanism to improve the effectiveness of the SME support system at the regional or municipal level (in the context of limited resources) by endowing the regional SME support infrastructure unit, selected on a competitive basis, with the functions of an Integrator of efforts to combine multi-level SME support programs (regional and municipal) at all stages of their development and execution (Vorobyova, 2019).

The foreign experience of supporting SMEs and its application in the Russian Federation is considered in the works of R.S. Grinberg (2006), A.M. Bludov (2011), K. Brummer (2005), A. Vilensky (2003), R.R. Versotsky (2019), A.N. Degtyarev (2010), N.V. Kovalenko (2020), and other scientists.



Four countries were selected to analyze the experience of economic development and study the impact of paternalism on small and medium-sized enterprises. The United States of America (USA) is a country that is rich in natural resources and is considered the ancestor of the small business support organization. The Republic of Singapore and the Kingdom of New Zealand, which have so successfully applied the US experience in SME development that, according to the Doing Business rating, starting from 2007 to the present, they are not inferior to the leading positions in the "ease of doing business"; as well as the State of Kuwait – a country with a high standard of living, 90% of whose exports are oil.

In 2020, according to the Doing Business 2020 ranking, the USA was in 6<sup>th</sup> place out of 190 countries that were surveyed by the World Bank based on the annual data provided. N.V. Zakharova (2020) in the article "Small and medium-sized entrepreneurship in developed countries: the main features of development" examines the small business support system developed in the USA. In 1953, the organization "Small Business Administration" (SBA) appeared in the USA. This was a federal structure with offices located in each state. The purpose of its establishment was to fully regulate the activities of small entrepreneurship. Currently, there are 1,160 branches of activity in the USA, and for each of these branches, criteria have been developed for classifying an enterprise as belonging to a small or large business sector. There is no such gradation as "medium" entrepreneurship in the USA. Such a detailed system of criteria developed for participating in financial support programs and obtaining federal contracts by companies shows the highest interest of the USA in developing its potential and strengthening the economy through entrepreneurship. There are many development programs in the USA in which only small businesses can participate. For example, these are

- The Small Business Technology Transfer (STTR) is a program supporting small enterprises in the implementation of projects jointly with higher educational institutions.



- Programs to support a small business owned by women entrepreneurs (Women-Owned Small Business – WOSB) and disadvantaged women (Economically Disadvantaged WOSB-EDWOSB).
- Small business support program for disabled military operations (Office of Veterans Business Development – OVBD).

Based on experience in supporting entrepreneurship, the USA has developed a unique government program for the interaction of the state, investment companies, and small businesses. This system functions so well that many countries, including Singapore, successfully apply this experience and achieve even greater success than the USA.

A description of the state support measures for small US enterprises in certain states during the coronavirus pandemic is given in the article by K. Smith, Z. Freed, and R. Knox (2020). The authors of the article consider possible options for assistance, both at the state and local levels, to small businesses affected by the pandemic.

Firstly, it is financial support, which will help small enterprises to stay afloat. In many states, local governments provide such assistance to entrepreneurs without waiting for federal support to become available. The most important programs are those that provide direct grants to reimburse at least part of the expenses of small enterprises for wages, rent, utilities, etc. The demand for these programs is extremely high. For example, on March 23, 2021, Lakewood, Ohio, established a Small Business Assistance Fund to Reduce Rents, allocating grants of up to \$3,000 to reimburse rental payments to small enterprises. The Foundation was funded by the city's economic development fund and federal grants for the development of local communities. It received a huge number of applications and was closed on March 27. The City of Hillsboro, Oregon, has conducted two rounds of funding of \$500,000 each as part of its Small Business Emergency Relief Program. The program was giving priority to entrepreneurship serving large groups of people, such as bars and restaurants. Both funding rounds were exhausted on the day the applications became available. These examples indicate an urgent need for additional and permanent financial support for small entrepreneurship.



Secondly, it is a tax deferral. The IRS allows deferred income tax payments until July 15, which will help small business owners. Cities and states also allow enterprises to defer paying taxes. San Francisco allows entrepreneurs to defer paying business taxes for the first quarter of 2020 until February 2021 and defer fees for a business license. Seattle has allowed enterprises with a taxable income of \$5 mln or less to defer paying city taxes on business licenses. Connecticut, Iowa, and Maryland have also granted deferred payment or extended deadlines for filing business-related tax returns.

Thirdly, a moratorium was introduced on eviction, foreclosure, and disconnection of utilities. At least five states and several cities have taken steps to prevent the eviction of small entrepreneurship as the effects of the crisis intensify. The mayor of Seattle has stopped the eviction of small enterprises and banned paying rent arrears for two months, as well as also asked homeowners to discuss payment plans with needy commercial tenants. In five states, Kansas, Iowa, Pennsylvania, Rhode Island, and New York, commercial evictions and foreclosures have been restricted or suspended.

Similarly, city halls across the country have banned utility companies from shutting off electricity and water while small business is experiencing the COVID-19 crisis. San Francisco has suspended power and water outages for its commercial tenants and canceled all penalties and late payment interest. In Seattle, the authorities promised to turn on lights and water for all residents and commercial tenants during the crisis and allowed residents who lost their jobs and wages during the crisis to create deferred payment plans for their utilities. The response was similar everywhere, as local authorities and utility companies pledged to continue providing services to customers during the crisis. At the federal level, members of the House of Representatives and the Senate insist on the introduction of a national moratorium on turning off the water, which is especially important since hand washing is the first line of defense against coronavirus.

In the work of V.V. Zabolotskaya (2020) "Singapore: state support for small and medium-sized enterprises", Singapore is considered as a representative of the Asian model of innovative economic development. The republic does not





have large raw materials and labor resources, therefore, in the development of entrepreneurship, the emphasis was placed on knowledge-intensive SMEs, foreign investment, and highly qualified personnel. From 2007 to 2016, Singapore's SME sector is developing dynamically. Singapore ranked 1st in the Doing Business ranking, while from 2017 to 2020 it is in 2nd place, skipping ahead New Zealand.

Given the small domestic market, Singapore SMEs are forced to enter the international market at an early stage of their development. Therefore, SMEs with high export potential receive special priority. For this purpose, a convenient taxation system has been developed, as well as flexible legislation based on English law, a multi-channel and targeted system of financial support for the SME sector focused on the development of priority areas of economic development. Favorable conditions have been created to support these measures both at the stage of formation and during their further development. Official paperwork, websites, information sources for investments, and running a business in the country are conducted in English. All this allowed Singapore to quickly integrate into the global economy and take a leading position.

Through developed financial and banking systems, state infrastructure institutions provide long-term financial support to SMEs in priority sectors of the economy. The combination of state and private-commercial forms of financial support allowed the country to make a technological and industrial breakthrough in a relatively short period. The country has developed a five-year financial planning system. Every five years, the "Research, Innovation and Entrepreneurship Plan" (RIEPlan) is approved. According to the current plan, financial expenditures for \$3.3 bln are provided for the innovation and research of SMEs.

Various agencies and funds have been established in the country, such as SPRING Agency; A\*STAR Agency; Infocomm Investments Fund; National Research Fund, etc. that play a significant role in the field of financial and credit support for research, startups, innovations, etc. The state basic programs of financial and credit support of innovative activities of SMEs in the form of public-private partnerships are successfully operating. They are represented by



programs to stimulate the development of innovative activities of aspiring entrepreneurs and talented youth, as well as innovative startups in the technology sector. The country implements programs to attract foreign investors (Global Investor Program, ENTREPASS), which offer them simplified immigration conditions. The criteria for participating in these programs are compliance of SMEs with priority sectors of Singapore's economy and successful business experience in the country of residence for at least three years. The amount of attracted foreign investments should be at least SGD 50 mln. The creation of favorable conditions for widespread digitalization and penetration of the Internet into economic sectors has ensured accelerated commercialization of innovations, including in the SME sector.

According to Singapore's Finance Minister L. Wong, the country is taking several steps aimed at supporting SMEs in the crisis caused by the COVID-19 pandemic, primarily this concerns financial assistance. The country has adopted two lending schemes aimed at supporting SMEs. The first is a temporary loan, the second is an extended enterprise financing scheme – a trade loan. The parameters for both schemes remain unchanged, including the share of state risk in the amount of 70%. N. Hanna of Pinsent Masons MPillay, a Singapore-based joint venture between MPillay and Pinsent Masons, the law firm behind Out-Law, noted: "The expansion of financial commitments is a direct attempt to offer a partial solution to the problems faced by most small and medium-sized enterprises. SMEs make up 99% of Southeast Asia's economy, and Singapore is no exception. The government protects and supports the most important part of its economy with financial assistance".

The Singapore Government has also developed a Job Support Scheme (JSS), which subsidizes the salaries of local employees, tax benefits, and loans. According to Wong, out of the loans in the amount of 22 bln SGD, granted to more than 25,000 companies through Enterprise Singapore financing schemes since the beginning of 2020, 99% were provided to SMEs.

In 2021, state support for small and medium-sized entrepreneurship continues to be implemented. For example, from May 16 to July 11, Singapore provided 50% of JSS support for enterprises that were forced to suspend all or



most of their activities, for example, food and beverage stores, fitness centers, the art sector, etc. The JSS support in the amount of 30% was provided to other sectors that were less affected by the restrictions associated with the pandemic. These are retailers, cinemas, and other public entertainment enterprises. As enterprises resumed operations, JSS support was reduced to 10% for two weeks starting from July 12. According to the Minister of Finance of Singapore, a "solid base of support measures" was previously announced in the budget for 2021. These include incentives for job growth and other measures from the SGUnited Jobs and Skills Package, designed to help workers to transit to jobs in growing industries. Households and individuals also received assistance in the form of a GST voucher, a CDC voucher, and a COVID-19 recovery grant (CRG).

New Zealand has been ranked 1<sup>st</sup> in the world by the Doing Business ranking for four recent years from 2017 to 2020. The development of entrepreneurship in New Zealand was preceded by changes in legislation, the political strategy of the government, its responsibility to society, as well as other factors.

In 2003-2017, a Small Business Development Group (SBDG) worked in New Zealand under the Ministry of Entrepreneurship, Innovation, and Employment, which provided support to small businesses in the government and advised the government on these issues. In 2018, a new Small Business Council was established to develop a long-term small business strategy for the government. The Small Business Council consists of 13 people (including the chairman) appointed for 12 months (Ministry of Business, Innovation & Employment, 2020).

Currently, New Zealand has an interdepartmental program "The Best for Business in New Zealand" (B4B), designed to support national business, as well as to identify and develop the most effective ways of interaction between business and government. The B4B represents 10 state institutions that are collectively responsible. The role of the program is to understand the needs of enterprises, their main problem issues, and defend them in agencies to improve the situation. The purpose of this interdepartmental program is to continuously improve public services to the benefit of New Zealand businesses and citizens.



Using digital technologies and innovations in approaches to the development and provision of services is the key to achieving the results of the B4B program.

Even though there is practically no bank financing of projects in New Zealand, the state, as well as third-party companies, provide a fairly wide list of opportunities to receive money for running their own business. The most important of them are the following opportunities:

- opportunity voucher is a special voucher, issued under certain conditions;
- research and development grants which can be received at the initial stage of enterprise development;
- business angel financing, which is issued when a startup already has a product or an operating prototype. Startups are financed by certain clubs, such as Ice Angels, Archangel, Flying Kiwis, Angel HQ, and others.

The country has very strict tax legislation and high taxes. For example, all forms of doing business, except for sole proprietors and trusts, are required to pay income tax at a single rate of 28%. Trusts that do not fall under the current benefits should pay 33% of the profits to the state treasury. Entrepreneurs pay at a progressive rate for individuals.

Since the present article studies the topic of paternalism, we wanted to analyze the development of entrepreneurship in a country similar to the region under consideration, that is, having an abundance of natural resources, in particular oil, and a relatively high standard of living of the population. We try to figure out why despite the prevailing opinion that a developed economy contributes to the growth and development of SMEs everything with entrepreneurship is not as good as we would like. Kuwait was chosen as such a country, the country ranks 86<sup>th</sup> in the Doing Business ranking.

Kuwait is a small country with a high level of income. With a population of just over four million people, it is the third oil-exporting country (ECO) after Qatar and the United Arab Emirates. The country's economy is almost entirely dependent on oil.

According to data for 2019, oil accounts for 90% of all exports of raw materials and more than a third (37%) of the country's GDP. The labor market is



dominated by the service sector. Almost 3/4 (74%) of the able-bodied population is employed in the service sector, 1/4 – in industry, and only 2% – in the agricultural sector. There is a significant public sector, accounting for about 2/3 of all economic activity. The public sector employs Kuwaiti citizens. A small proportion of the private sector employs foreign citizens. Discussions about the development of MSME in Kuwait have been going on for a long time but changes are not happening so quickly due to the policy of the state-oriented towards "Kuwaitization", which is maintaining priority and protecting the citizens of Kuwait.

The nature of Kuwait's economy influences the characteristics of micro, small and medium-sized enterprises (MSMEs) and how this sector was affected by the COVID-19 crisis and the subsequent oil price shock. The first consequence of the oil dependence of the economy is the relatively low share of MSMEs in the country's economy. Kuwait has one of the lowest MSME densities in the region: there are just over 12 enterprises per 1,000 people, which is almost half the average for the Arab region in general (22.7). In high-income countries located in Europe, Central and East Asia, as well as the Pacific region, the density of MSMEs is about five times higher than in Kuwait. The MSME sector accounts for only 3% of GDP, compared with 50% in high-income countries, and only 23% of the total labor force of Kuwait, which is twice lower than the average in the world, and mostly these are foreign workers and migrants.

A study, conducted by Bensirri Public Relations Kuwait shows that, as in other countries, MSMEs tend to be start-up enterprises. About 60% of microenterprises (with less than 10 workers) have been on the market for no more than four years and the same proportion of large firms (with more than 100 workers) have been on the market for more than 15 years. The main reason is that the political environment in Kuwait is not conducive to the growth of small enterprises. Moreover, MSMEs face more serious cash flow problems than large enterprises: 27, 35, and 24% of micro, small, and medium-sized enterprises, respectively, face problems in accessing finance and financial capital compared to 19% of large enterprises. Another conclusion that the researchers came to is that the fewer Kuwaiti employees at the enterprise, the more likely it is that it will suspend its activities or stop in response to the crisis.



In 2014, global oil prices fell to levels not seen in almost 15 years, from over \$110 per barrel at the beginning of the year to a low of \$38 by February 2016. There was a slight recovery before COVID-19 but after the virus outbreak in the first half of 2020, by April, the price of oil was less than \$20 per barrel. For the first time in history, in April, oil was sold in some markets at negative prices. This double COVID-19 crisis and the oil "price shock" disproportionately hit the Kuwaiti MSME sector. A survey, conducted by Bensirri Public Relations Kuwait shows that the COVID-19 pandemic has had a significant impact on business. Thus, 536 enterprises that were profitable before the crisis were affected. As a result of the crisis, 45% of enterprises suspended or closed their business. This is 60% of all microenterprises and 70% of all small enterprises in Kuwait, while only 23% of large enterprises were affected.

Has the MSME sector received state support commensurate with the damage caused? Like many governments around the world, the Government of Kuwait has introduced several monetary and fiscal measures. In addition, the government has taken certain measures to rescue small and medium-sized enterprises, such as:

- reducing risk rating of MSMEs from 75 to 25%;
- providing MSMEs with concessional long-term loans with joint financing from local banks and the Kuwait National Fund for the Promotion and Development of SMEs (KNFS);
- offering deferral of payments to KNFS and the Industrial Bank of Kuwait;
- postponing the collection of social insurance contributions from business owners in the private and partially public oil sector for six months.

Most MSMEs are unaware of these measures. More than 60% of microenterprises, 56% of small, and 50% of medium-sized enterprises either do not know about these measures at all, or they know partially, whereas 75% of large businesses know about them, and use them, which explains why larger firms are less likely to close than smaller ones.

One of the reasons for such a biased attitude to offering support is the requirement to apply for crisis loans, requiring MSMEs to comply with the quota



of the "Kuwaiti" policy. This policy reinforces entrepreneurial incentives that provide excessive protection from competition for Kuwait's national entrepreneurs, which is contrary to the goal that the Government has set previously, helping entrepreneurs for decades.

Kuwait also suffers from a special form of "Dutch disease" – a phenomenon named after the impact of the discovery of gas in the North Sea on the Dutch economy, when the boom in natural resources harmed other sectors of the economy. The competitiveness of other sectors is declining, as well as incentives to increase the tax base, and revenues can be used to support unsustainable investments, including the expansion of the public sector, as is the case in Kuwait. In Kuwait, this problem has partially manifested itself in the well-known problems of school quality, higher education standards, and lack of vocational training, which has displaced the national workforce from scientific and technical professions and the private sector in general. But there are several reasons, besides the "Dutch disease" (although, sometimes related to it), that explain the structural vulnerability of the Kuwaiti economy.

Firstly, it is the nature of the Kuwaiti welfare state and the wide availability of guaranteed public employment for life for all citizens of Kuwait. Both of these factors weaken the incentives for people to engage in entrepreneurial and risky commercial activities and to seek additional work in the private sector. Kuwaiti citizens account for less than 20% of the total employed population and are predominantly concentrated in the government and public sector. According to the current Kuwaiti social contract, the government pays for subsidized basic meals, free education, and health care, as well as free housing, and provides medical services and education abroad.

Secondly, another breakthrough in the development of the private sector is that for decades foreigners were not allowed to own companies singlehandedly in Kuwait, although this changed in 2016. Thus, Kuwaiti private entrepreneurs are also protected by law from foreign competition. But this does not mean that they are necessarily enterprising. Rather, since any foreign business should involve a Kuwaiti co-owner, Kuwait citizens can behave like silent partners without having an active role in business management. The total entrepreneurial activity of



Kuwait per 100 people is at the level of 2% (the indicator of total entrepreneurial activity) is less than one-fifth of the global average of 11%. This is much lower than what can be expected from a country with its income level. Maintaining such policies and practices will only stifle the growth of young enterprises, especially MSMEs, which has serious implications for long-term efficiency since MSMEs tend to be the main sources of innovation, job creation, and growth.

Thirdly, the Government of Kuwait monopolizes several sectors: from the oil industry to aviation, gas stations, amusement parks, and even cinemas. According to the current social contract, the Government and the majority of parliamentarians strive to ensure that most of the economy remains under state control to be able to control the patronage from the distribution of rent, which ensures political stability and stability of the regime. Similarly, franchising is monopolized by several large franchisees. Franchising in countries around the world is an opportunity for MSME to prosper. In Kuwait, several franchises, covering the whole of Kuwait and areas beyond are exclusive to a single franchisee. This is an unusual model for companies such as McDonald's, Burger King, Starbucks, The Body Shop, and Toyota. All these state-supported monopolies are obstacles to potentially successful domestic MSMEs.

The current double crisis shows that oil wealth is temporary. The Kuwaiti people need to switch to earning for productive activities, rather than depend on jobs obtained from oil rents. Kuwait cannot prosper in the long term without competition and diversification. The reforms are necessary which would presuppose a new social contract in which the benefits, distributed to the population by the state, should be significantly reduced (EL-Haddad, 2021).

Thus, it is hard to escape the conclusion that paternalism significantly hinders the development of MSME in Kuwait.

A.M. Fierro (2015) in his research identifies the features of small business support mechanisms in African countries.

C. Rabbior (2020) and A. Pramod (n.d.) have accumulated in their blogs the main programs of public-private support for small businesses affected by COVID-19, implemented in different countries of the world.





## METHODS

The main theoretical and empirical methods of the conducted research include analysis of literary and other sources on the research subject, as well as expert interview data, description of the research object by descriptive statistical methods.

Thus, the analysis of Russian and foreign literary and other sources (blogs, Internet sites) on the problems of implementing state support measures for small and medium-sized entrepreneurship in various regions of the Russian Federation (entities, included in the SFD, KhMAO-Yugra, etc.) and foreign countries (USA, New Zealand, Kuwait, Singapore, etc.) was carried out. Mainly for the analysis, sources were used dealing with state support for SMEs in regions and countries similar to the KhMAO-Yugra in terms of resource provision.

To identify the attitude to state support of SMEs in the framework of the present study, in August 2021, we conducted in-depth interviews with more than 10 experts who were representatives of regional and municipal authorities of the KhMAO-Yugra, involved in one way or another in issues related to small and medium-sized entrepreneurship, as well as representatives of various SME infrastructure entities (Entrepreneurship Support Fund, and High-Tech Technopark of Yugra). The sample was purposeful, that is, elements, typical of the general population were selected according to certain criteria. In terms of the technique of conducting the interview, it was standardized (formalized), consisting of 20 questions. In terms of the type of respondents, an interview involved experts. In terms of the registering technique, answers were recorded. Further, the interview processing was conducted using the QDA Miner software product.

Descriptive statistics methods were employed to describe the research object – the northern resource-producing region. Thus, empirical data were processed, systematized, visualized in the form of graphs and tables, as well as described quantitatively using certain statistical indicators.

## RESULTS



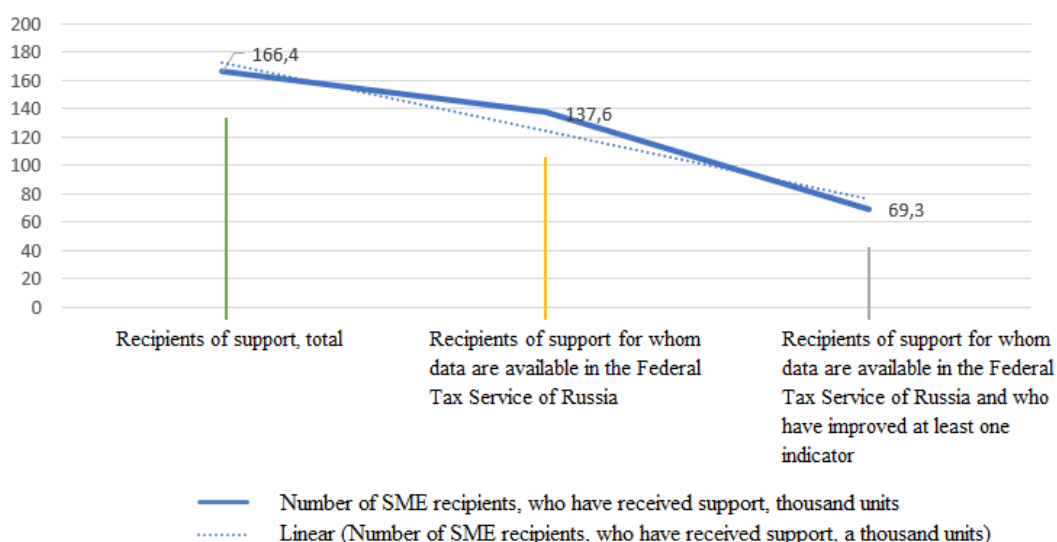
The Khanty-Mansi Autonomous Okrug – Yugra is a subject of the Russian Federation. The district is an economically self-sufficient donor region and the main oil and gas-bearing region of Russia and one of the largest oil-producing regions of the world.

The state and level of SME development is a significant criterion for the development of the KhMAO-Yugra and the Russian Federation in general. Analysis of official statistics data shows that in 2020 the number of SMEs, whose information is contained in the Unified Register, was 6.916 mln units, namely, 2.5 mln legal entities and 3.38 mln sole proprietors (43% and 57% of the total number of SMEs, respectively) (Esipova et al., 2020).

The main registration unit in the Russian entrepreneurial community is a private person registered as a sole proprietor.

According to the same register, the average number of employees engaged in SMEs (including sole proprietors) is 15.3 mln people.

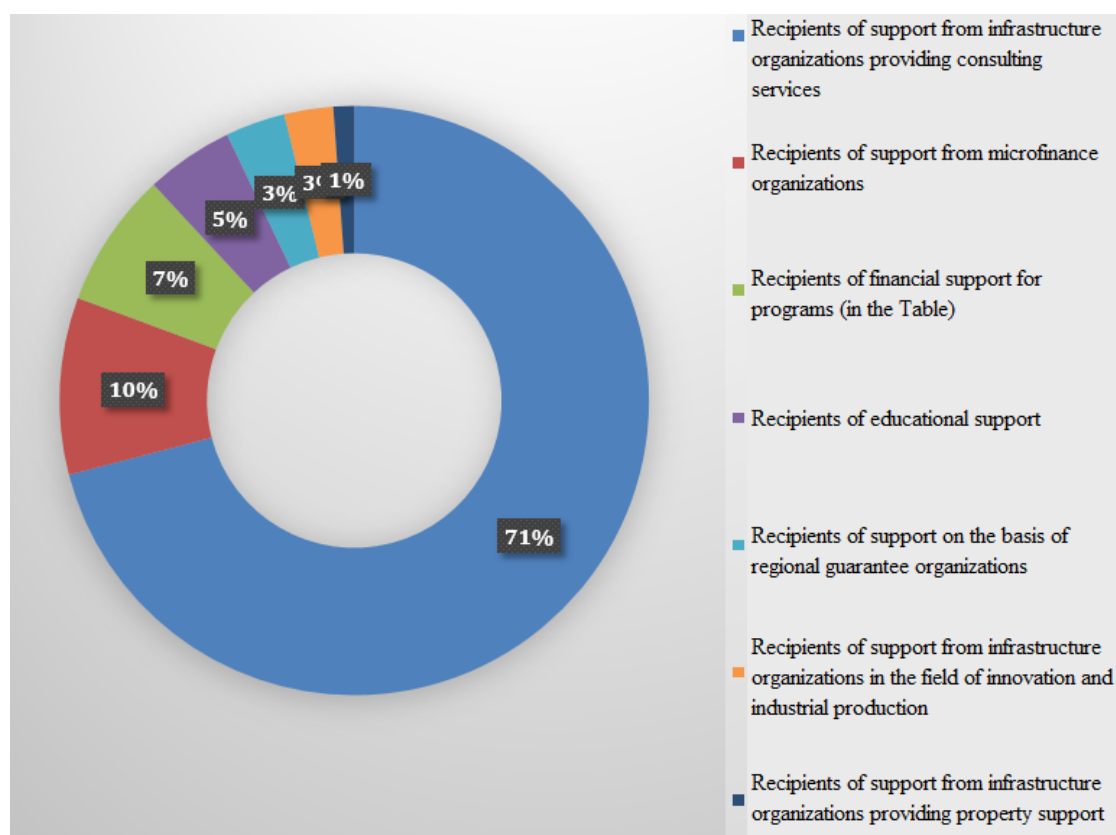
The number of state support recipients amounted to 166.4 thousand units. Of these, 137.6 thousand are entities whose information can be found in the Federal Tax Service of Russia (Figure 1).



**Figure 1** Dynamics of the number of SMEs that received state support for the period from 2015 to 2019

In the total number of recipients of support, for which information is available concerning the dynamics of indicators, the number of SMEs that received consulting support (71%) is maximal, while the number of SMEs that have received financial support based on the infrastructure organizations is minimal (Figure 2).

Considering the distribution of support recipients in terms of the organizational-legal form, we can note that the highest percentage of recipients of financial support for programs belong to sole proprietors (62%).

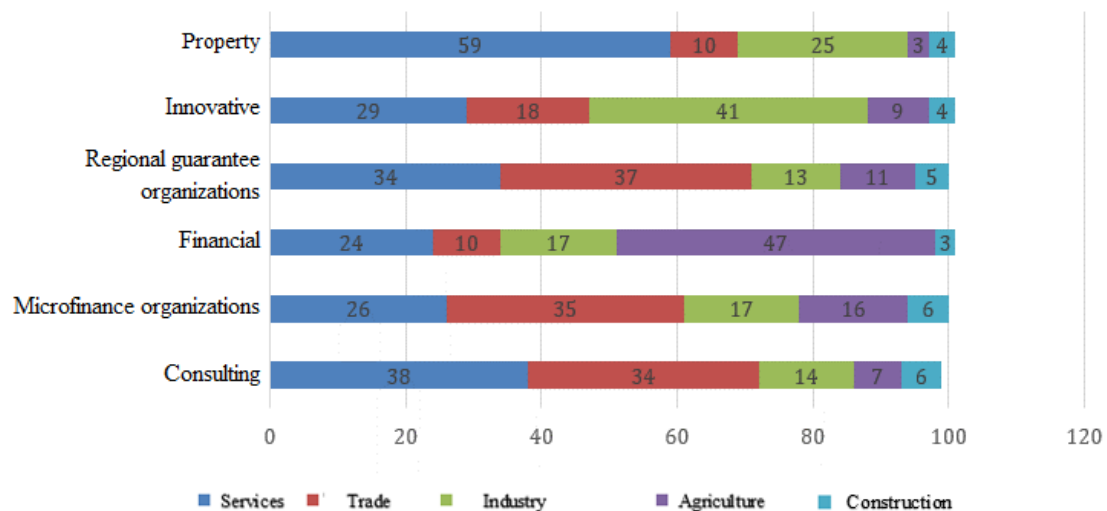


**Figure 2** SME entities by type of support received

Slightly less (61%) belongs to sole proprietors – recipients of educational support. The smallest share of sole proprietor recipients are recipients of support from infrastructure organizations involved in the field of innovation. It was this support that legal entities used to a greater extent in 2018 (83%). Also, support, based on regional guarantee organizations is popular among legal entities (74%). Most of the SME recipients of support belong to the category of microenterprises.

The distribution of SME recipients of support by main types of economic activity is shown in Figure 3. It can be seen that the largest share of recipients of all types of support belongs to entities engaged in services and trade industry sectors.

Property support was used to a greater extent by entities engaged in the service industry (59%). Innovative support is popular among entities engaged in the industry sectors (41%). Entities in the trade sector are supported by regional guarantee organizations (37%). Financial support is more popular among entities engaged in agriculture. Entities involved in the trade are mainly supported by microfinance organizations (35%). The greatest demand for consulting support is shown by entities of the service industry (38%) and trade (34%). The subjects whose main economic activity is construction are the least interested in any support.



**Figure 3** Distribution of support recipients by main types of economic activity

Despite the reduction of subsidies from the federal budget, the KhMAO continues to "patronize" its entrepreneurs in almost the same annual amounts, giving them grants for beginners and young entrepreneurs, for innovative and social enterprises, subsidies for certain types of activities (reindeer husbandry), tourism, and fishing. Assistance is also provided in the non-financial form by providing consultations, educational programs, accelerators, public lectures, developing business plans, etc.

Table 1 shows the indicators characterizing the activities of SMEs and the amount of their state support in the KhMAO-Yugra.

During the period under review, there has been an unstable dynamics of the amount of state support for SMEs in the KhMAO-Yugra: in recent years, its level has dropped to a minimum which corresponds to 2010. This was primarily due to a significant reduction in payments from the federal budget. The maximum funding was achieved in 2014-2015. We would like to underline again, the funding from the regional budget is declined but not as significantly as funding from the federal budget.

The dynamics of most indicators of the SME entities (without SP) are also negative. Thus, the number of SMEs after 2016 is steadily decreasing (in 2019, compared to 2016 – by 18%, however, in general, this figure increased almost by 60% over 10 years). A similar trend in recent years can be traced for sole proprietors (from 2010 to 2019, the number of SP reduced by 18%). At the same time, the largest number of SMEs and sole proprietors were noted precisely in that year, when the amount of state support was maximal, i.e. in 2014.

The average number of employees working at SMEs shows annual growth rates, which characterizes the inverse dependence on the dynamics of the number of very entities. This fact can be explained by the expansion of the SMEs that remained after the liquidation and continued their activities after 2016. This can also explain the annual increase in the annual revenue of SMEs (including micro-enterprises).

The share of SMEs employed in the total number of employees has also been increasing every year (except for the last two years). The share in the total volume of the domestic regional product, in general, has decreased over 10 years.

As the results of our previous studies have shown, within the framework of this topic, representatives of small and medium-sized businesses noted financial support as the most effective measure of state support, "both through direct channeling of funds in the form of subsidies and grants, and by providing assistance in lending, or providing certain benefits and mitigating conditions" (Esipova et al., 2020, p. 171).



To identify the attitude of SMEs to state support within the framework of this study, more than 10 respondents were interviewed, who were representatives of regional and municipal authorities, involved, in one way or another, in issues related to SMEs, as well as representatives of various SME infrastructure entities (Entrepreneurship Support Fund, and High-Tech Technopark of Yugra).

All respondents highly valued the current development status of the entrepreneurship institution in the region, including the current legislative framework regulating the support of SMEs. Most of the respondents participated in one way or another in the development of regional/municipal entrepreneurship development programs. In their opinion, entrepreneurs, who carry out their activities in the social sphere, as well as producers of goods are most in need of state support.

However, many experts noted that today's entrepreneurs need to "increase the level of financial literacy." As an "ideal entrepreneur", the respondents named "a highly professional businessperson who can take an active part in the social life of their city, region, and state in an unbalanced market".

The main problems, hindering the development of small businesses in the region, respondents noted harsh climatic conditions, low transport accessibility of many settlements of the KhMAO-Yugra, and lack of premises for conducting business.

Almost all respondents gave a negative answer to the question: "Do you think the abundance of natural resources (oil) in the KhMAO-Yugra has an impact on the development of entrepreneurship?". Negative answers coincide with the opinion of the majority of entrepreneurs interviewed at the previous stage of the study. At that, the expectations of the state from the support provided to entrepreneurship were fully justified, which was confirmed by the fact that in the context of the pandemic, entrepreneurs not only did not go out of their business but also expanded it.



**STATE SUPPORT FOR SMALL AND MEDIUM-SIZED ENTREPRENEURSHIP IN REGIONS WITH RESOURCE ABUNDANCE**

Thus, state support for SMEs should be considered as a necessary element for the development of the economic activity of SMEs in the northern oil-producing region, but not as the major one.

**Table 1**

The main indicators of SME entities and the amounts of their state support in KhMAO-Yugra\*

Year	The amount of state support aimed at the development of SMEs				Number of SMEs (without IEs)	Number of individual entrepreneurs (IE)	Average staffing number of employed by SMEs, thousand people	Turnover (revenue) of SMEs (including micro), bln rubles	The share of employees at SMEs in the total number of employees, %	Share in GRP, %
	The federal budget, mln rubles	Budget of the KhMAO-Yugra, mln rubles	Budget of municipalities, mln rubles	TOTAL Mln rubles						
2010	95.9	334.8	32.6	463.3	13,150	49,638	123	298.2	16	15.1
2011	163.3	354.3	39	556.6	23,042	52,637	125.3	338	16.3	13.9
2012	193.5	399.6	45	638.1	25,894	59,892	127.2	376.5	16.4	13.9
2013	168.7	386.6	49.8	605.1	23,427	50,113	122.9	412.9	15.9	15.1
2014	271.2	485.3	41.9	798.4	27,002	50,635	116.7	382.9	15.2	13.4
2015	179.6	657.5	39.8	876.9	23,522	49,817	121.9	419.2	16	13.4
2016	112.5	423.6	45.2	581.3	25,663	49,416	124.2	462.7	16.5	15.1
2017	35.7	495.5	46	577.2	21,290	39,647	137.4	507.3	18.2	14.4
2018	6.2	376	42.3	424.5	20,511	40,130	131.6	519.3	17.3	13.1
2019	89.5	339.1	17.9	446.5	20,985	40,613	133.8	544.7	17.5	13.5

\*Compiled by the authors based on data from the Reports of the Governor of the KhMAO-Yugra for 2018, 2019 (Government of the KhMAO-Yugra, 2018, 2019)

## DISCUSSION

Naturally, it is impossible and impractical to completely recreate the American system for supporting SMEs but it is possible to identify the basics that are quite applicable in the context of Russia and, in particular, the KhMAO-Yugra.



- Firstly, elaborating clearer criteria for classifying a business in an SME sector, which will allow enterprises of different sectors of the economy to receive targeted financial support and participate in concessional financing. It can be assumed that at that, the shadow sector of the economy will most likely move to the official one if it will be beneficial for the entrepreneur.

- Secondly, developing a multi-level SME support system, controlled and funded by the government, enabling public authorities to participate in venture and crowdfunding financing, not for profit but primarily to increase the number of entrepreneurs and the proportion of SMEs in Russia's and KhMAO-Yugra GDP aimed at stabilizing the economic system and the welfare of the country and a strategically important region.

Singapore's experience can be used in the development of international cooperation in the field of innovation, to attract foreign investors and talented highly qualified specialists, as well as to promote new technologies, goods, and services to the global market.

Many elements and approaches developed in Singapore and aimed at supporting newly established small innovative enterprises, technological and innovative startups, venture accelerators, and business incubators can be adapted in Russia taking into account its national peculiarities. This will allow the Russian Federation to qualitatively increase the level of state interaction in the field of science and education with the SME sector and solve the problems of training qualified personnel and accelerating the process of commercialization of scientific developments.

From the experience of New Zealand, several important points can be identified that can be used both in Russia and KhMAO-Ugra:

- to improve the availability of loans not only through banks (business angels, etc.);
- to take into account primarily the contribution of SMEs to the stability of the country's economic system when developing policies in respect of SMEs;
- to improve cooperation with regional authorities.





## CONCLUSIONS

It is impossible to overcome noted problems and ensure the accelerated development of the domestic SME sector without taking into account international practices. Both entrepreneurs and representatives of the infrastructure of state support for SMEs in the region agreed that the abundance of natural resources is not a fundamental factor affecting the development of entrepreneurship in the country and mainly its resource-producing region. Therefore, the experience of foreign countries that have successfully built their models for the development and support of small entrepreneurship was proposed as regional measures of state support for small and medium-sized businesses.

## ACKNOWLEDGMENTS

The article was prepared with the financial support of the Russian Foundation for Basic Research, grant "Development of private entrepreneurship and land ownership institutions: "neoliberal" versus "paternalistic" models in the context of the abundance of natural resources" dated 03/29/2021 No. 19-010-00344/21.

## REFERENCES

- Bludov, A. M. (2011). Foreign experience of regulating entrepreneurial activity: Issues of development and adaptation. *Socio-economic Phenomena and Processes*, 3-4(25-26), 31-35.
- Brummer, K. (2005). Support system for small and medium-sized entrepreneurship in Germany: a possible reference point for Russia? In: E. Markwart, & I. Putintseva (Eds.), *Small business lending in Russia and Germany: materials of a joint Russian-German project* (pp. 205-219). Moscow, Russia: Fond "Liberal'naya missiya".
- Degtyarev, A. N., & Luzina, I. A. (2010). *State support of the business sector: World and Russian experience*. Ufa, Russia: Moscow Economic Institute; Ufa Technological Institute of Service, p. 51.



EL-Haddad, A. (2021, June 1). *Kuwaiti small entrepreneurship after the pandemic: Time for a new social contract*. Retrieved September 20, 2021 from <https://theforum.erf.org.eg/2021/05/31/kuwaiti-small-businesses-pandemic-time-new-social-contract/>

Ermashkevich, N. S. (2019). Comprehensive analysis of state measures to support the small and medium-sized entrepreneurship sector in Russia. *Russian Entrepreneurship*, 20(1), 13-38.

Esipova, S. A., Khromtsova, L. S., & Ptitsyna, D. D. (2020). The efficiency of state paternalism in the context of the abundance of natural resources. *Economics: Yesterday, Today, Tomorrow*, 10, 171-182.

Esipova, S. A., Rod, Yu. S., & Khromtsova, L. S. (2019). Review of regulatory legal acts in the field of support for small and medium-sized entrepreneurship in the context of municipalities of the Khanty-Mansi Autonomous Okrug – Yugra. *Management of Economic Systems: Electronic Scientific Journal*, 12(130), 26.

Fierro, A. M. (2015, December 1). *How should governments support small firms?* World Economic Forum. Retrieved September 9, 2021 from <https://www.weforum.org/agenda/2015/12/how-should-governments-support-small-firms/>

Government of the KhMAO-Yugra. (2018). *Order of the Government of the KhMAO-Yugra of November 14, 2018 No. 599-rp “On the report of the Governor of the KhMAO-Yugra on the results of the activities of the Government of KhMAO-Yugra for 2018, including on issues raised by the Duma of the KhMAO-Yugra”*. Retrieved September 1, 2021 from <https://gov.admhmao.ru/otchyety/ezhegodnye-otchety-o-rezultatakh-deyatelnosti-pravitelstva/2097815/2018-god/>

Government of the KhMAO-Yugra. (2019). *Order of the Government of the KhMAO-Yugra of October 28, 2019 No. 564-rp “On the report of the Governor of the KhMAO-Yugra on the results of the activities of the Government of KhMAO-Yugra for 2019, including on issues raised by the Duma of the KhMAO-Yugra”*. Sobraniye zakonodatel'stva Khanty-Mansiyskogo avtonomnogo okruga-Yugry [Collection of legislation of the Khanty-Mansiysk Autonomous Okrug-Yugra] 31.10.2019, No. 10 (Part II, Vol. 2), Item 1220.

Grinberg, R. S. (2006). *State support for small business in Central and Eastern Europe: a monograph*. Moscow, Russia: Nauka, 256 p.

Kovalenko, N. V., & Suleymanova, T. A. (2020). Domestic and foreign experience of state support of small and medium-sized enterprises. *Center for Innovative Technologies and Social Expertise*, 2(24), 471-485.



Ministry of Business, Innovation & Employment. (2020). *Small business in New Zealand*. Retrieved September 17, 2021 from <https://www.mbie.govt.nz/business-and-employment/business/support-for-business/small-business/>

Pramod A. (n.d.). *Government support and benefits for people, small entrepreneurs during COVID-19*. Retrieved October 1, 2021 from <https://www.vendasta.com/blog/small-business-government-support-programs/>

Rabbior, C. (2020, April 4). *Government relief programs for small entrepreneurs Affected by COVID-19*. Retrieved October 1, 2021 from <https://www.shopify.com/blog/small-business-government-relief-programs>

Smith, K., Freed, Z., & Knox, R. (2020, April 8). *How State and Local Governments Can Help Small Businesses During the Coronavirus Pandemic*. Institute for Local Self-Reliance. Retrieved September 14, 2021 from <https://ilsr.org/how-state-and-local-governments-are-helping-small-businesses-during-the-coronavirus-pandemic-2/>

Versotsky, R. R. (2019). Foreign experience in supporting small and medium-sized entrepreneurship and the possibilities of its application in contemporary Russia. *Managerial Consulting*, 7, 108-114.

Vilensky, A. (2003). State policy of Japan concerning small and medium-sized enterprises. *ECO*, 6, 135-142.

Vorobyova, V. G. (2019). *Improving the system of state support for small and medium-sized entrepreneurship in the Smolensk Region*: Ph.D. thesis in Economic Sciences. Saint Petersburg State University of Economics, Saint Petersburg, Russia.

Zabolotskaya, V. V. (2020). Singapore: State support for small and medium-sized entrepreneurship. *Asia and Africa Today*, 2, 43-49.

Zakharova, N. V. (2020). Small and medium-sized entrepreneurship in developed countries: The main features of development. *Bulletin of the Russian State University. The series "Economics. Management. Right"*, 4, 88-102.

Zemtsov, S. P. (2020). Institutes, entrepreneurship, and regional development in Russia. *Journal of the New Economic Association*, 2(46), 168-180.

