

I. ИНСТИТУЦИОНАЛИЗАЦИЯ ЭКОНОМИКИ: ПРОБЛЕМЫ И РЕШЕНИЯ

УДК 332.14

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STATE SUPPORT MEASURES FOR SMALL AND MEDIUM-SIZED BUSINESSES IMPLEMENTED IN THE RUSSIAN FEDERATION DURING THE ECONOMIC CRISIS

The article is devoted to a question of measures of rendering the state support of small and medium business to the enterprises in the conditions of COVID-19 coronavirus pandemic. The article analyses the impact of the pandemic on key sectors of the Russian economy, which are reflected in statistical material and an analytical review of indicators such as world oil prices, national currency rates, unemployment rates, fluctuations in stock exchanges, inflation rates and other indicators. The authors pay special attention to the issue of providing state support to small and medium-sized businesses aimed at the processes of taxation, lending, subsidies, preservation of production resources, employment levels and other processes.

Keywords: crisis, COVID-19, inflation, governmental support, unemployment, fluctuation of stock exchange.

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МЕРЫ ГОСУДАРСТВЕННОЙ ПОДДЕРЖКИ МАЛОГО И СРЕДНЕГО БИЗНЕСА, ПРОВДИМЫЕ В РОССИЙСКОЙ ФЕДЕРАЦИИ ВО ВРЕМЯ ЭКОНОМИЧЕСКОГО КРИЗИСА

Статья посвящена вопросу мер оказания государственной поддержки предприятиям малого и среднего бизнеса в условиях пандемии коронавируса COVID-19. В статье сделан анализ влияния последствий пандемии на ключевые отрасли экономики России, которые отражены в статистическом материале и аналитическом обзоре таких показателей, как мировые цены на нефть, курсы национальной валюты, уровень безработицы, колебания на фондовых биржах, уровень инфляции и другие показатели. Особое внимание авторы уделяют вопросу оказания государственной поддержки предприятиям малого и среднего бизнеса, направленным на процессы налогообложения, кредитования, субсидирования, сохранения производственных ресурсов, уровня занятости населения и другие процессы.

Ключевые слова: кризис, COVID-19, инфляция, государственная поддержка, безработица, биржевые колебания.

DOI: 10.36807/2411-7269-2020-4-23-5-14

The world does not stand still and everything good is replaced, something bad always comes. This historical process is no exception, especially the history of any state. And at the moment, this is more important than ever.

Since the formation of an industrial society, and subsequently the formation of an economy, each country has begun to experience such a phenomenon as economic crisis. It is al-

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ways accompanied by large inflation, a decline in production, unemployment and others, which undoubtedly leads to fear on people and forces them to survive in extreme conditions.

In the modern history of Russia – capitalist Russia – there is not a very pleasant pattern.

In 1998, there was a default that seemed to be the country's economic well-being after the long and painful 1990s. But we managed to avoid a total collapse.

After 10 years of trying to fix everything, forget the horror of the past decade and achieve economic growth, the crisis of 2008–2009 came, which, in turn, significantly hit Russian business and scared off investors.

And today we are witnessing a new crisis caused by the disrupted OPEC + deal and the COVID-19 coronavirus pandemic.

At such a difficult moment, it is simply necessary to come to the aid and provide all possible support, in this case, such support was self-isolation. The state asked, in some cases, to forcibly stay at home in order to avoid the rapid spread of infection.

The question immediately arises: What happened to enterprises that the state forcibly closed? Shopping centers are closed, stores, with the exception of groceries, do not work, catering chains are closed, factories are worthless, and many companies in the service sector have switched to either remote work or suspended their activities during quarantine.

In this case, economic growth is not something that slows down, but simply ceases as such and goes in a negative way. People are left without work, many of them are reduced, someone is left without wages for a period of self-isolation, in any case, this further worsens the crisis situation.

At the same time, it is worth taking into account the specifics of pricing in our country – almost any sphere depends on the exchange rate. Directly or indirectly, but it is. It is a well-known fact that our country is considered an "oil and gas" power, whose economy is built mainly on oil exports.

It is easy to guess the consequences of a sharp, strong drop in oil prices. Therefore, in such a difficult time for both our country and the entire world community, it was simply necessary to mobilize all kinds of means to support the economy and citizens.

If strong large corporations are still experiencing this crisis, then for small and medium-sized businesses, the share of participation in the economy of which in many countries reaches 40-50 %, has to be experienced. It is about measures to support small and medium-sized businesses in Russia that this article will talk about, because, indeed, this is more relevant than ever.

Let's start over. Since we are talking about economics, we cannot keep silent about statistical data, because they are the main tool in arguing the relevance of the problem.

Since the first stock index, the Dow Jones Index, it is customary to judge by the economic situation in the country by major stock indices, which include the country's largest enterprises.

To characterize the Russian market, these are RTS and MICEX indices, which include the main oil companies of Russia, such as Gazprom, Lukoil, Tatneft, Rosneft, Surgutneftegas, Transneft, Russneft and others.

In the figures below, we can look at the situation with indexes at the moment and past periods to clearly see the impact on the stock market of the pandemic and the fall in oil quotes.

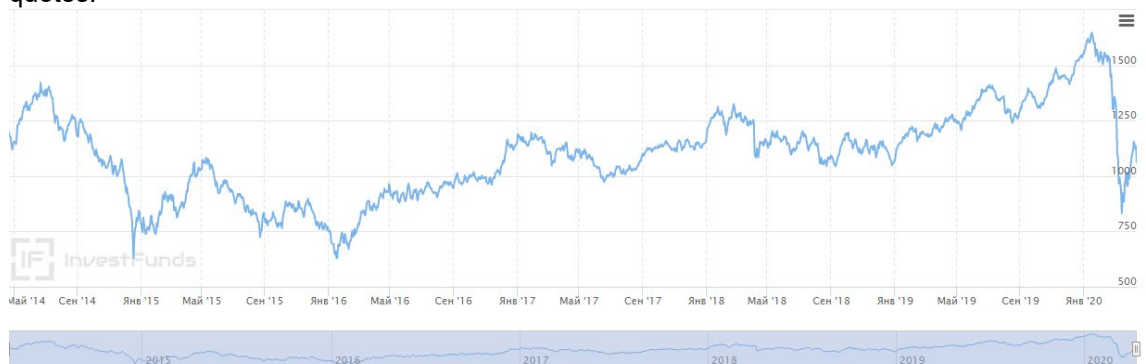


Figure 1 – RTS index (quotes)

On the chart, we see the dynamics from the period of the last crisis to May 2014 – April 2020. As we can note, the strongest "subsidence" of indicators occurred at the beginning of 2015, while the index gave us a figure of the minimum value of 718.26.

The time went by, the Russian economy gradually came to its senses and showed growth similar to what was before the fall in 2015, even exceeding it. The maximum indicator during this time was the mark of 1637.75 US dollars, achieved in early 2020.

It would seem that the stable growth of this index and the sharp jump for 2019-2020 promise economic growth, but the crisis crept up more than ever on time. Again a fall almost reached the mark of five years ago. This time, the figure fell to an indicator of 832.6 US dollars.

Below, Figures 2 and 3 show the dynamics for the extreme period.



Figure 2 – RTS index

The dynamics of the RTS index in percentage ratio is also shown in the figure below.

ДИНАМИКА ИНДЕКСА РТС

	1 ДЕНЬ	1 МЕСЯЦ	3 МЕСЯЦА	1 ГОД	3 ГОДА
	1 065.25	-6.00%	10.17%	-33.95%	-15.15%
				-15.15%	-0.74%

Figure 3 – Dynamics of RTS index in percentage

So, we have a small stabilization of the index of 10.17 % compared to the extreme month, as can be seen in Figures 2 and 3, but the indicators of the beginning of the year are still far away. Now, for analysis of data and clarity, we will need the dynamics of oil quotes. As we said earlier, it now plays a very important role in the economy of our country.

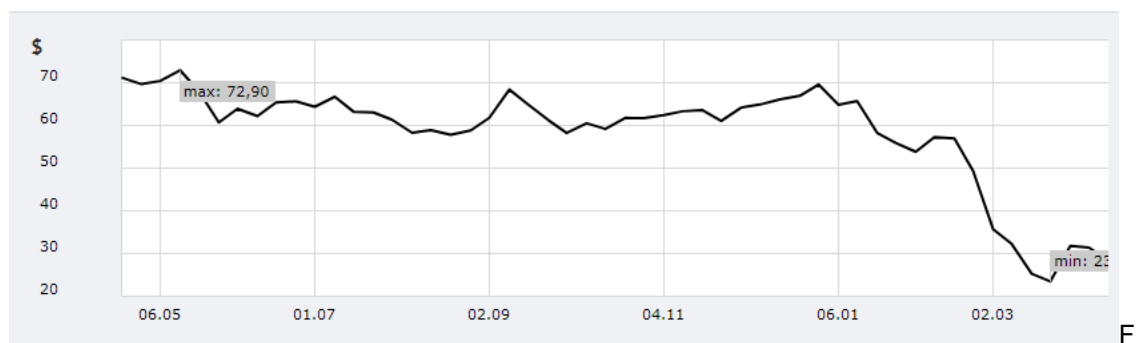


Figure 4 – Oil quotations for the year

Figure 4 shows the quotations of Brent crude oil for the period from May 2019 to March 2020. Such a drop in price more than three times fully explains the fall in Russian stock indices. In particular, shares of Rosneft fell by 2.5 % to 335.35 rubles, LUKOIL – by 3.42 % to 4954.5 rubles, TATNEFT – by 2.34 % to 587.3 rubles, ordinary shares of Surgutneftegaz – by 2.56 % to 36.13 rubles.

MICEX indices fall exactly the same, by more than 20 %.

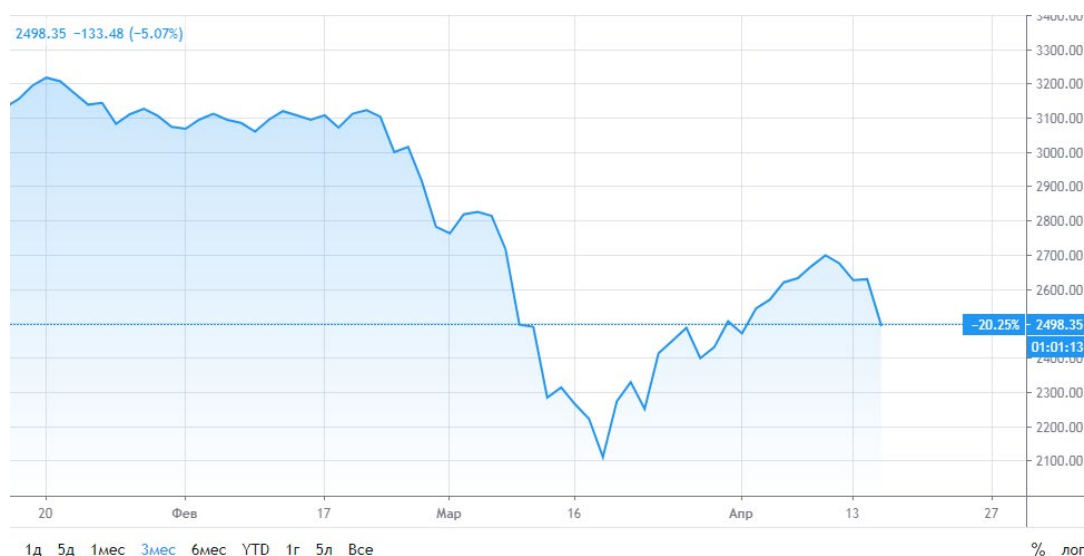


Figure 5 – MICEX index

Reduced travel demand and lack of production activity due to the COVID-19 pandemic in 2020 significantly affected oil demand, causing a drop in its prices.

The fall in prices led the Organization of Petroleum Exporting Countries (OPEC) to convene a meeting on March 6, 2020, where the issue of reducing black gold production was discussed in order to balance the loss of demand.

The cartel initially concluded a preliminary agreement to reduce oil production by 1.5 million barrels per day after a meeting in Vienna on March 5, 2020.

On March 6, 2020, OPEC members could not come to a general decision on preserving, reducing oil production, or otherwise also called black gold production. And in the end, Russia withdrew from the deal, saying that it was going to produce oil within its maximum, to which Saudi Arabia responded with a strong decrease in price.

Further, a pandemic plays a role, in connection with which people sold out all masks, respiratory agents, as well as antiseptics and other personal hygiene products. Also, in a matter of days, desperate people swept away all essential goods from the shelves of the store, thereby causing an increase in prices.

The number of imports of goods from foreign countries decreased sharply, which also affected pricing. Gradually, all educational and entertainment institutions, and then workers' enterprises, began to close. The state, in such a regime, was forced in the literal sense of the word to save the economy and its citizens, subsidizing its population and business, which received serious damage.

Small and medium-sized businesses in such conditions receive the greatest damage, because in closed doors for more than one month they completely do not receive revenue and come at a loss due to constant costs. Many institutions in the service sector, the life cycle of which directly depends on the number of customers, were forced to greatly reduce their headquarters, send people on unpaid holidays, or even completely stop their activities.

Also, the crisis greatly affected unemployment. Companies were cutting staff; people had to re-search for work. In this situation, poverty is inevitably rising, which unfortunately is followed by an increase in crime rates.

Now the number of small businesses, according to the tax service, totals about 222,144. The number varies by region and will be presented in Figure 6.

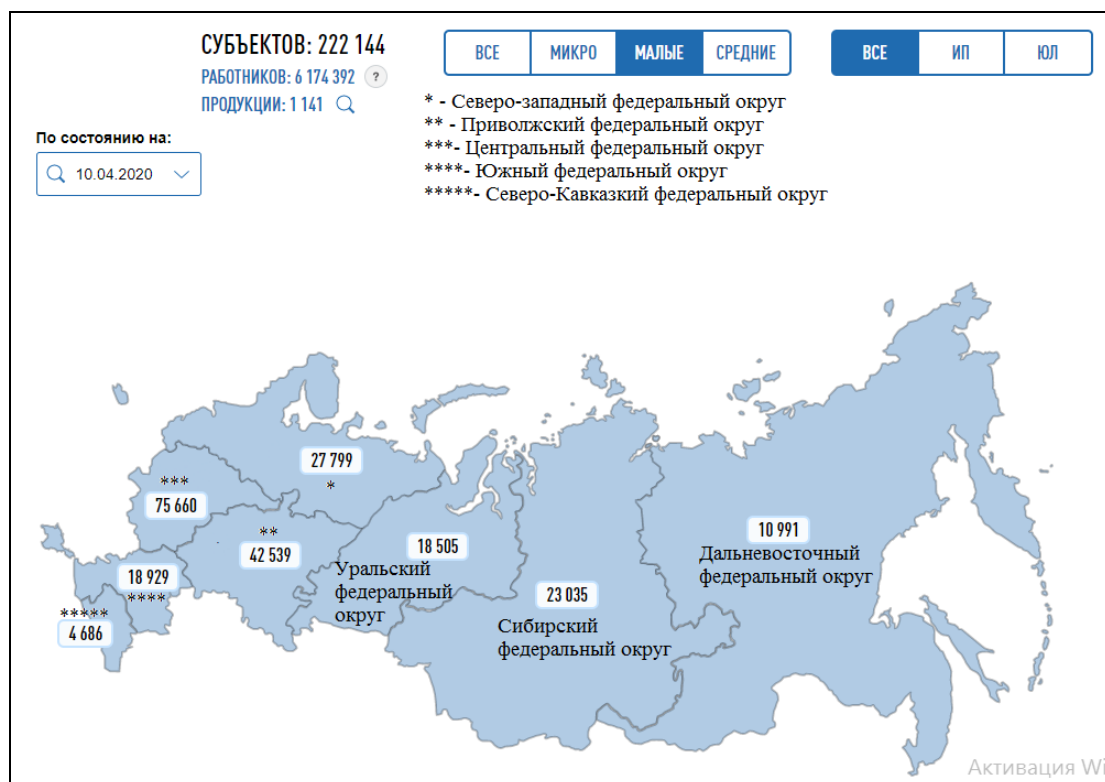


Figure 6 – Small Businesses

Based on Figure 6, the number of employees is 6,174,392. More than six million people are not in the best position, since most of them can lose their jobs at any time if this has not happened. In such conditions, as mentioned earlier, crime is born, a demographic problem, and a marginal segment of the population is growing.

And in order to support the economy, each country is considering in advance options for providing assistance for those who are in trouble, primarily small businesses.

Banks also resort to measures such as increasing collateral for loan security. If we also add a huge interest rate to this, we get that a person, in order to save his business, gives a pledge, for example, his property and can ultimately remain with nothing and with debts in addition.

At the moment, the situation of small businesses is not improving, so after the resident's appeal on March 25, 2020, information was received about business support measures to overcome the consequences of a new coronavirus infection.

In general, the first measure that was provided for small businesses is business lending. However, there is already a big problem. In the recent past, such a development of the scenario was practiced: due to the crisis, banks also incur serious losses, and there are many who want, and therefore banks begin to tighten requirements for borrowers, and also increase interest rates, which rise to almost 30 %. This is, in principle, a terribly high percentage, and in the face of a crisis it becomes completely unsustainable for entrepreneurs.

It is important to note that the measures are valid throughout Russia and concern all regions in particular. Given the fact that the number of businesses and infected people is different from region to region, in which we can see by looking at Figure 7, the measures began to act to varying degrees by the decision of the heads of regions. Accordingly, large forces were sent to where the problem is greater.



Figure 7 – Distribution of COVID-19 in Russia

First of all, support went to 22 industries, where about 4 million people are employed – for example, hairdressers, dry cleaners, etc. There is no denying that quarantine hit those who simply provided household services to the population.

Such industries as cultural life – museums, exhibitions, catering – cafes, restaurants – also suffered. The situation affected education very significantly, which was associated with the transition to distance learning.

Основная задача антикризисных мероприятий Правительства - это сохранение занятости и поддержка предпринимательства. Для этого необходимо максимально “высвободить” все ресурсы предприятий на выплату заработной платы работникам



Figure 8 – Total Cost of the Business Support Package

Figure 8 shows the specific amounts of government support to the business.

A delay was also granted for all taxes (except VAT) for a period of 6 months. However, although the president said that after time, these taxes will not be required by a lump sum payment, but this will become an additional burden for people who have not made significant profits all this time.

The same situation concerns the following measures: a delay in loans, a moratorium on the collection of debts and fines, a moratorium on bankruptcy, a delay in paying leases to the state and municipalities, a delay in insurance premiums, a moratorium on the growth of IE contributions.

Let's take a closer look at insurance premiums. For salaries over the minimum wage (from 12,130 rubles), insurance premiums were reduced from 30 % to 15 %.

This was aimed at reducing the burden on business and the incentive to maintain jobs and salaries.

The next measure is the introduction of a moratorium on all inspections until the end of 2020. It is a very significant action, for small and medium-sized businesses.

Then, all kinds of trade barriers were removed and important ones were identified, namely: the temporary lifting of restrictions on the movement of freight transport in the city and the suspension of weight control of transport delivering food and essential goods, and the over-the-counter sale of medicines by pharmacy chains.

This measure is more important than ever, because it was simply necessary to provide stores and pharmacies with uninterrupted deliveries of goods.

Companies that trade in non-food products should be added to the list of the most affected industries.

Companies of small and medium-sized businesses were directly provided with free assistance of 12.1 thousand rubles per employee (the only condition for receiving assistance is the preservation of at least 90% of the staff).

The government provided for a new special loan product - preferential loans to business to replenish working capital. The rate was to be subsidized by the state in the amount of the key rate of the Central Bank. Half of the loans were secured by state guarantees.

More than 23 billion rubles were allocated to support aviation companies.

For each of the basic support sectors of the economy, it was necessary to work out separate support measures.

200 billion rubles was aimed at ensuring the sustainability and balance of regional budgets.

Over 500 thousand companies could count on direct payments from the state; the first amounts began to arrive on May 18. According to Prime Minister Mikhail Mishustin, at least 3 million people work in companies that have begun to receive state assistance.

Some small and medium business support data by region:

Table 1 – Business Support by Region

Region	Funds to support business and citizens	SMB Support Measures
Arkhangelsk region	No data	Soft loans, confirmation of force majeure
Belgorod region	No data	Microloans up to 5 million rubles. for a period of 2 years at 2.5 %
Vladimir region	No data	50 % – discount on municipal property rental
Volgograd region	No data	Industry Development Fund of the region is ready to provide regional manufacturers of disinfectants and personal protective equipment with preferential loans
Ivanovo region	No data	Inspections and inspections, postponement of rental of municipal property suspended
Krasnodar Krai	No data	Support for enterprises that are quickly repurposed for the production of antiseptics
Leningrad region	No data	Moratorium on payment of interest and principal on micro-loans
Murmansk region	No data	Tax and rent cuts
Novgorod region	No data	Open sites for street trading
Oryol region	No data	Delays on rent of municipal property, a delay on regional taxes
Perm Krai	One billion rubles	Tax exemptions and deferrals, deferral of lease on state property
Republic of Buryatia	34 million rubles for unemployment benefits	Deferral for payments on the lease of state property and fines, moratorium on inspections, restructuring of loans
Sverdlovsk region	330 million rubles to support entrepreneurship	Guarantees and soft loans
Tver region	300 million rubles for payments to veterans	Preferential lending, municipal lease benefits, tax deferral
Chelyabinsk region	290 million rubles for business support	Preferential loans up to three million rubles at 1 % per annum and guarantees for bank loans with a reduced value, reducing the tax burden
Moscow	7.6 billion rubles for payments to those who observe self-isolation, how much is allocated to support business is unknown	Subsidies for expenses and payments, credit organizations for preferential loans to small and medium-sized businesses, rental benefits, etc.
Saint-Petersburg	4.5 billion rubles	Postponement for the payment of rental of city property, subsidies for maintaining wages not less than the minimum (19 thousand rubles)

Approximately the same trend at the moment supporting small and medium-sized businesses is present in all regions of the Russian Federation. Moratoriums on the payment of in-

terest, restructuring of debts, reduction of the rental rate, reduction of tax payments, etc. In most regions, measures continue to be developed.

But crisis is an international affair and it's very interesting to observe this problem in comparison. Here we give the same problem and its French view.

One of the most characteristic features of the economic crisis triggered by the COVID-19 crisis lies in its abrupt feature when compared to the previous crisis which occurred in the past 20 years. Figure 9 presents the evolution of the CAC40 index over the last 20 years. It can be clearly evidenced that contrary to the Internet bubble explosion crisis in 2001 or to the worldwide financial crisis in 2007–2008, this crisis abrupt without preliminary evidenced signs.



Figure 9 – CAC40 index

If the French government has been criticized for not enough anticipating the outcome of this crisis in February/March, as in other countries through the world, one of the major step to combat the health impact of the crisis has been the establishment of a national confinement from March 17th to May 11th 2020. It has to be noted that such step had not been established in France since the end of the 2nd World War. This step had the objective to regulate the number of hospitalized people and also had the effect to stop the explosion of the number of dead people in France due to the Covid-19 crisis as it can be observed in Figure 10. Indeed from the establishment of the lockdown, the evolution of the number of dead people became similar to the previous year.

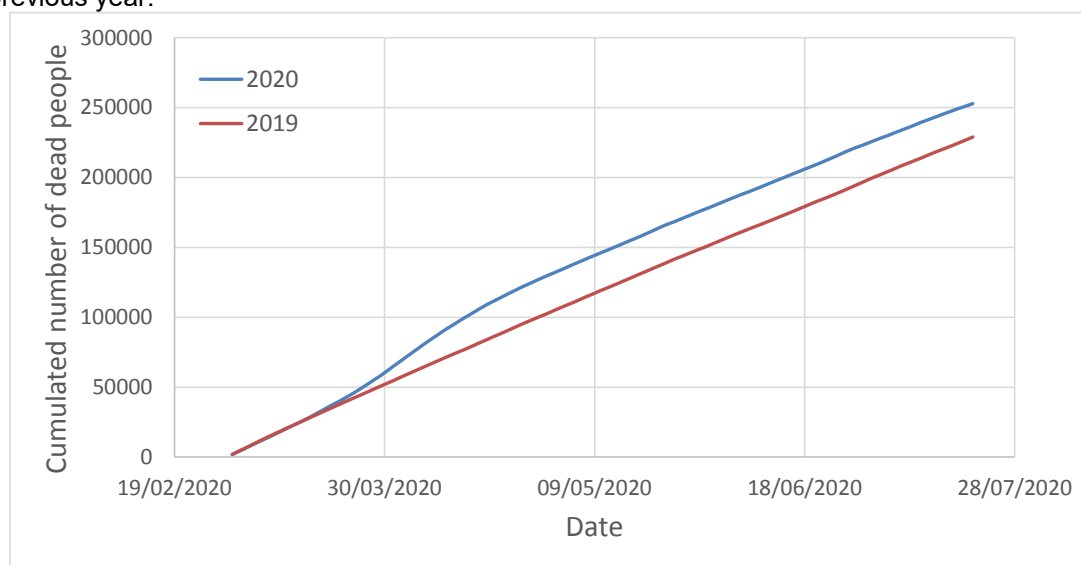


Figure 10 – Evolution of the cumulated number of dead people in France from March 1st to July 20th in France in 2019 and 2020

The historically exceptional aspect of such step may explain the remarkably abrupt feature of the economic impact of the crisis. It can be noticed in Figure 11 that the unemployment rate bounced from 7.1 % to 9.0 % from 2020-Q2 to 2020-Q3, underlying the direct and massive impact of the crisis on the global economy. Among the reasons explaining the explosion of the unemployment rate, the necessity to establish a lockdown has necessarily drastic impact on all the fields of the economy and especially on SMB. One of the main risks lies in the insolvency and bankruptcy of a large number of SMB which cannot pay their drafts due to the absence of sales revenue.

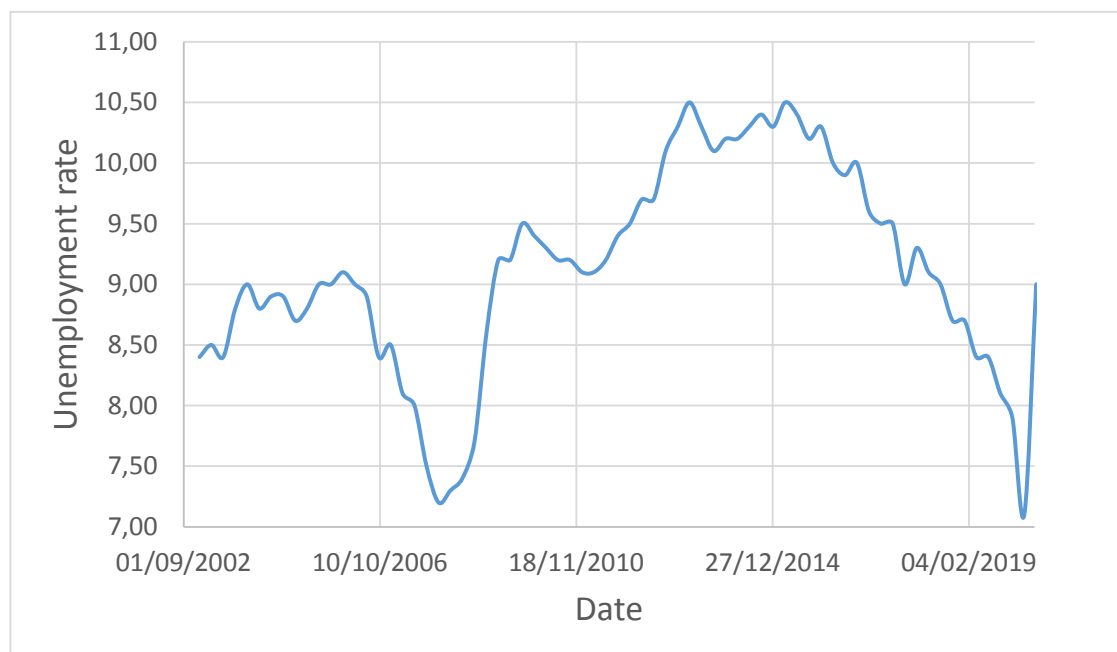


Figure 11 – Evolution of the unemployment rate in France (excl. Mayotte). Estimation within ± 0.3 point of the level of unemployment rate and of its quarterly variations. Scope: population of people living in households, people aged 15 years or more

In the past twelve years, after the worldwide financial crisis, SMB in France have slowly reduced their debt rate and increased their equities which probably helped a large number of them to resist to the pandemic Covid-19 economic crisis (see Figure 12). However, the major question lies in their ability to resist to a 2nd or 3rd lock-down. This is one of the reasons which may explain the nature of the 2nd lockdown which took place in France from October 30th 2020 and which was less strict with the opening of schools and most of the SMB. The major question is therefore how helping small business and especially town center shops which are not allowed to open because they do not sell necessity goods.

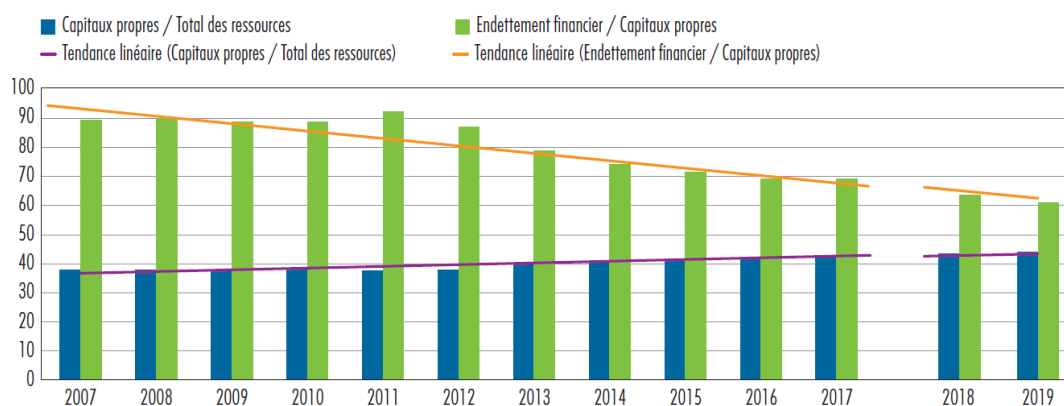


Figure 12 – Evolution of the SMB equities (in blue) and of their debt rate (in green)

That is why contrary to the 1st lockdown, the government strives to propose a series of steps allowing for the SMB to face the absence of revenues:

- Tax reduction for the lessors which offer the rental of November
- A 1-5year loan granted by the State to give enough cash to SMB to pay their drafts

- The possibility to defer the payment of taxes for SMB
- Partial unemployment scheme to face the reduction and activity and participate to the payment of salaries.

The second major question concerning the ability of the French economy to resist to the impacts of this crisis probably lies in the evolution of its consumption. Indeed, the consumption is usually considered as one of the engines of the French economy. However, repetitive lockdown, especially during periods close to Christmas, could have a deep impact on the French consumption. The first lockdown lied at the root of a huge dip in the consumption of goods in France. It will be crucial to observe the evolution of the consumption of goods during the 2nd lockdown in order to observe if a less strict application of the lockdown could lead to a less abrupt drop of the consumption.

Based on all of the above, we can say that, above all, a crisis is inevitable for any economy because after a fall there is always an upturn.

It is very important that at this difficult time for everyone, the state does not forget about its citizens, because it is on them that it is built. The state is trying to use the available material resources to prevent strong subsidence in GDP.

However, even in this situation, it is still difficult for small businesses to survive and the current situation is like natural selection – only the strongest, thoughtful and competent manager survives.

As for measures, they are designed and well thought out, but this is still not enough for everyone and it is necessary to make even more efforts to make entrepreneurs, who play an important role in the economy, feel calm and protected even in such a situation.

Until now, the National Welfare Fund has not been implemented, which has long accumulated funds for emergencies like this.

State support measures are increasing every day, so it is still unknown what will happen to small and medium-sized businesses in Russia in the future. At the moment, there are positive changes in the amount of subsidies and a different number of benefits, so faith in the successful passage of this crisis for business is not lost.

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