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**Entrepreneurs’ Perception on The Government Support towards Small and Medium Enterprises in Russia and China**

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by the 4nd year student

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# Introduction

The government support policies are being implemented in many emerging and developing economies in order to help those countries’ economies to keep up with the developed countries. Nowadays when Small and Medium Enterprises (SMEs) play a significant key role in developing, innovating and attracting new finances into the economy, it is crucial to encourage development growth of local SMEs by implementing government support policies towards SMEs.

Small and Medium enterprises (SME) are firms that does not exceed the specific border either in number of employees or in revenue[[1]](#footnote-1). The specific of the border differs from country to country. SME play a crucial role by being the main power of the growth of the economy. The development of SME may increase employment and production.

The definition of SME in China is based on the SME Promotion Law instead of being based on the number of personnel or revenue how it is based in most countries. The law implements that for classification of SME the State Council should also take into consideration the industry where a firm operates, its operating income, total assets and a number of employees[[2]](#footnote-2).

The definition of SME in Russia is based on “Federal Law No. 209-FL "On the Development of Small and Medium-Sized Enterprises in the Russian Federation"[[3]](#footnote-3) with the updates[[4]](#footnote-4). The law divides the enterprises by the number of employees and operational income stating the Small business to have not more then 100 employees and an annual operational income not more then 800 millions of rubles (including micro enterprises that have not more then 15 employees and an income not more then 150 millions of rubles) and stating the Medium business to have from 101 employees to 250 employees and an possible annual operational income till 2 billions of rubles. Thus, an enterprise that has 50 employees and an income of 1 billion of ruble is stated as Medium business[[5]](#footnote-5).

Small and Medium Enterprises are a driver of economic development due to the facts that those firms create workplaces, make the market more competitive and usually stand on the front line of innovation and implementation of new products and services.[[6]](#footnote-6) SMEs also play a huge role in development of regional economy. 90% of firms in the world are SME and they provides 70% of all workplaces globally[[7]](#footnote-7). However, the World Economic Forum states that 67% of all SMEs worldwide are struggling to survive[[8]](#footnote-8). Some of the key challenges SMEs face are high interest rates for taking a loan and lack of financing to expand its business[[9]](#footnote-9). Thus, the government may implement several policies towards SMEs to help them to survive through hard times, to give an opportunity to expand to new possible profitable markets, to grow into a bigger company. It is also beneficial to the government due to the growth of the economy as a whole and increasing of sales of domestic products which means money does not go abroad.

The government support initiatives are one of the most crucial instruments that help SMEs to grow, boost their performance and maintain their business activities. However, there are also problems, challenges that occur when entrepreneurs try to get that very support. In Russia one of them was named an overall difficulty with receiving the support due to the documents that should be made and filled, the complex report of how the support would be used, and the high percentage of rejects[[10]](#footnote-10). Other problems that were found by researchers are difficulties that entrepreneurs face while trying to find the spot and the market for selling the product, and the instability of legal system in the sphere of tax and finance regulators of small and medium enterprises[[11]](#footnote-11) (Poteryahin, 2018). And even some support methods are not efficient due to the initial high interest rate or the pledge that the banks require when the entrepreneur finally reaches for help and stays in the situation when it gets worse if he uses such support[[12]](#footnote-12).

The situation in China is a bit different, though they have their own challenges but already on another higher level. The government in China engages with businesses and communicates with them quite often while working on business policies, attracting investment and creating enabling discussion. However, researchers found out that small and medium enterprises have less communication with the government, and see the environment less enable as their “bigger” colleagues, though using every opportunity that the government displays[[13]](#footnote-13) (Wang, Yu, 2017). Chinese researches already working on such questions as “whether the government support helps in bridging psychic distance for SMEs”[[14]](#footnote-14) (psychic distance is a term used to identify the fear of an entrepreneur to export to a distant countries due to economic and cultural difference and forces them to prefer exporting to geographically closer countries) (Yan, Hu, Liu, 2020).

This research sets a goal to get deeper/find out how entrepreneurs in Russia perceive the government support and compare this perception with the one of Chinese entrepreneurs. To achieve this goal the interview-based study was implied as it is crucial to clarify why the support is used or why it is not used and how the government may create the more favourable conditions for it to be used. It is also important to understand how the entrepreneurs perceive the government support, what factors influence that perception and whether that perception becomes a barrier on the way to the use of the support instruments,.

This research has following structure: Literature review, Cultural Codes and their influence, Supportive laws and policies towards SMEs in Russia and China, Methodology, Data Analysis, Conclusion.

# Chapter 1

## 1.1 Literature Review: The Importance and specifics of SMEs

The drive force of the economic growth is claimed to be Small and Medium Enterprises, experts say[[15]](#footnote-15). In the article “*The role of SMEs in Modern Economy*”, based on the statistics that 99% of all companies in the world are SMEs, authors provide an opinion that SMEs play ones of the most crucial roles in the market such as: stand in between of micro business and big enterprises, create workplaces, provide innovative ideas, make a market more competitive. The article claims that Small and Medium Enterprises come up with the majority of technical innovation, which is crucial for the fast-changing technological world in which we live. There is also an important fact that should be taken into considerations by governments of various countries that SMEs are the real source of workplaces for the society, with the European Union, for example, having SMEs represent 66% of the workforce, while in Japan this numbers comes up to 81%. Crucially, authors conclude with the thought that Small and Medium Enterprises play a role of a beginning of a revival for the country’s economy (Savlovschi and Robu 2011).

The definition of the Small and Medium businesses varies in different countries. According to E. Lukacs, the strict definition helps to target the exact businesses and firms that are in need of a government support (Lukacs 2005)[[16]](#footnote-16). Thus, those definitions might be revised due to the overall economic development. By the time of the article was published, Small and medium Enterprises were 98% of all firms in European Union which gives 66% of all workplaces, where 93.2% of the companies were Micro businesses with less than 10 employees. SMEs at that time generated 56.2% of private sector turnover. For comparison, as for May 2019 SMEs in Russia generated about 22.3% of GDP and provided with 26.3% of total workforce[[17]](#footnote-17). The author claims that in Japan this indicator is even higher – 81% of overall workforce is hold in Small and Medium Enterprises. With the globalization coming to the economy, the article assures that SMEs nowadays recognize going to the global market as a further step of developing, which gives many advantages and one of them is a better access to finance.

Small and Medium Enterprises in 21st century differ from themselves in 19th century, some researches claim (Keskin, Sentürk 2010)[[18]](#footnote-18). Their main advantages became fast adaptability, creating and implementing innovations and being less affected by crises than the big enterprises. At the same time government structures understood their role as a main force of regional and national development and started to implement different supportive policies towards SMEs so the latter could easier survive and overcome their challenges, thus improving the overall economic situation in the country. Authors claim that due to the researches of that time over 55% of overall GDP of the high-income countries is made by SMEs, which seems as an indicator for developing countries to pursuit. Being flexible and understanding the customers’ needs is the reason why Small and Medium Enterprises have been the industrialization power in Western countries. The advantages of SMEs also consist of a possibility of small saving and family saving going into the investments directly and of creation private initiatives and doing it quicker than in big companies due to the small management team. However, at the same time authors see here a few disadvantages such as a disability of common workers in SMEs to influence the owner’s decisions. Another disadvantage is that SMEs are usually short on finance and they do not hire a financial consultant or other specialist advisor, which also leads to lack of general administration. Even more – the risk of becoming bankrupt or losing its independence – such problems always follow Small and Medium Enterprises. Despite acknowledging these disadvantages, authors are assured that they have the positive side – by low survival rate and lower profitability rates than the bigger enterprises those firms play a key role in economic growth and take the responsibility of being an outsource agent for the big companies. The article further claims that the developing countries have a special interest in Small and Medium Enterprises development due to seeing it as antipoverty programs – it is believed that SMEs maintain the sustainable growth and innovation, while *“growth and real poverty reduction go hand in hand”*. Thus, with SMEs contributing to the economic development, authors came to the conclusion that the business of SMEs should be supported – especially – in ways of financial and consulting services. It is remarked that with the big financial flow only to big enterprises and with government having zero or low support policies towards SMEs, the SME sector is squeezed and becomes to be filled with the large micro enterprise sector, where usually the capital income is low. However, while the SME sector is supported and becomes large – those extremes are avoided. The results of this paper are crucial for the study taking into consideration that 96% of all SMEs of Russia are micro businesses[[19]](#footnote-19). This leads to the logical conclusion that not enough money is flowed to the support of SMEs in Russia.

It is not rare when government structures implement various policies to support the market economy. Moreover, as Cho Soon stated, the initial basis is always built by government, when they consider growth promotion strategies[[20]](#footnote-20). In this article the author explained that in the Asian region people are more tend to rely on the government in making various decisions than in the West due to the different cultural and historic background. Moreover, Cho Soon is assured that “*Almost all governments of the high performing economies of Asia, except Hong Kong, are more or less of the interventionist variety*” (Cho Soon, 1994 p. 147), while China is one of the best examples of government-led growth. The government intervention into the market might be due to the high expectation of people but the low pace of development of a market system all by itself. The very situation that might be seen in Russia, where the demand for products remains while the foreign producers left, but the lack of entrepreneurial spirit, of knowledge in marketing and of finance flow do not give an opportunity for local SMEs to grow, take over the recently free market space and attract attention of the customers. People in Asian countries are more dependent on their governments as they expect to be under their rule even during the normal times, which leads to an understanding of a paternalistic approach of the government. Here Russians and Chinese are similar in their expectations from the government[[21]](#footnote-21) (Alyushin, 1992). Such nations as the Republic of Korea and Taiwan, the special administrative region of People’s Republic of China, implemented several subsidies for exporters: cheap bank loans, tax benefits, preferential allocation of foreign exchanges to exporters, assistance of promotion and establishment of export processing zones – which led to the current famous economic growth. Researchers tend to believe that the outward-looking strategy benefits way more than the inward-looking one. However, the market principles should be taken into account while implementing specific government support programs. For example, the case of the Korean government shows that in order to develop further the specific industry, the government took over the role of bringing innovations and, thus, took a part of the burden of investment risk, which led to the attracting investors to the specific industry but left others with little finance flow. The government should also be careful with the financial policy when the government tries to maintain a low bank loan rate in order to stimulate growth of firms by them taking loans, which in future may lead to the inflation. While the specifically targeted for the support industry might get the value, other industries bear too high opportunity risk, while the bank rate of profit becomes too low (Cho Soon, 1994).

It is stated that access to finance is one of the main challenges for any SME to become successful in its development[[22]](#footnote-22) (Rupeika-Apoga 2014). The study findings suggest the importance of exploring alternative external financing options for small developing nations like the Baltic states. It emphasizes the necessity of backing the development and assessment of policy initiatives, as well as monitoring the impact of financial reforms on SMEs' access to funding. There is especially a big need in financial support like subsidies in order to innovate and grow[[23]](#footnote-23) (Czarnitzki and Delanote 2015). Along with finance, some researchers believe that IT is an essential tool for SMEs to compete and expand[[24]](#footnote-24) (Feranita, Nugraha, Sukoco, 2019). The former study deepens into whether or not the government support for the firms to innovate has a positive effect on performance of those firms. It was found out that it has a significant positive effect on the innovation of a product, process and organization culture, while in its turn innovation has a positive effect on the performance. Several decades ago, it was noted that the smaller the firm the less access to finance it has[[25]](#footnote-25) (Calomiris, Hubbard, 1990). It is due to the reason that usually the small firm is managed all alone by entrepreneur themselves, which makes it difficult to prepare financial report regularly for what they used the money they were financed with. Moreover, the government itself might also be skeptical about investing in small enterprise due to the high risk of failure of that business. The research case of Sri Lanka reveals that networking plays a key role in getting an access to finance and it suggests an idea of tightening the connection between the bank and a Small or Medium Enterprise to improve methods of checking SMEs[[26]](#footnote-26)(Gamage, 2013).

Russia’s modern SMEs’ history appeared only recently after the collapse of the Soviet system where there were no private businesses. Taught that everybody has a common average wage and there are no possibilities to invest, the majority of people did not have the understanding of finance in a capitalistic educational meaning. In first decade of establishing of the Russian Federation, the SMEs accounted only for 12.8 percent of total employment and SMEs’ GDP share was around 10-12 percent while the developed countries had around 50%[[27]](#footnote-27) (Kihlgren, 2003). The possibility to enter the global market is recognized as a great opportunity for growth for Small and Medium Enterprises from the emerging and developing economies[[28]](#footnote-28) (Shirokova, Vega, 2013). Authors of the article offer strategic entrepreneurship as a tool for improving the competitive ability of Russian SMEs in order for them to gain a better opportunity for internalization. The level of entrepreneurial activity in the previous decade in Russia was at a low rate – 4.6 percent, and the reasons for it, according to the article, were the complex procedures at the bureaucratic level for the organization of a new business, altogether with a poor development of government support institutions for SMEs. Authors believe the entrepreneurial orientation and entrepreneurial culture, the opposite of previous autocratic management from the Soviet era, seem to be a key to increase growth and performance of Russian SMEs. The crucial instruments are the unique resources which might be accessed through administrative resources or connections, while the main burden for innovative activities of SMEs are tax and poor management. The article gives several mindful insights; however, the support institutions were developed further in the recent years, which gives the required possibility for SMEs in Russia to grow (Razumovskaia, Yuzvovich, Kniazeva, Klimenko, Shelyakin, 2020)[[29]](#footnote-29). The tax burden still exists though, with Russia having 7% tax which is higher than the world average, while the labour productivity level is less than average. Thus, the conclusion might be made that the stimulating role of the tax is not performed, and the share of SMEs was only decreasing annually through 2016-2020 years.

Russia’s SME’s employment and GDP output indicators are twice lower comparing to European Union’s indicators (Pinkovetskaia, Nikitina, Gromova, 2018)[[30]](#footnote-30). Being at the level of making only 20% of GDP of Russia, SME’s results are expected to grow to 40% percentage, according to the support program implemented[[31]](#footnote-31). According to the article, in 2015 the majority of SMEs employees in Russia were engaged in the wholesale and retail trade - around 32%, a bit more than 18% worked in real estate industry, while 15% - in the manufacturing. Moreover, there exists a “demographic” problem of SMEs – in the majority of regions of the Russian Federation the amount of “dead” Small and Medium Enterprises exceeds the newly created ones (Voronkova, Kurochkina, Firova, Bikezina, 2018)[[32]](#footnote-32). While only 10 of 85 regions show the small growth of SMEs. The article compares the number of adults participating in the creation of any kind of business in different countries – in Russia it is only 5% comparing to 16% in China, while only 5% of Small and Medium Enterprises in Russia implement any innovations – compared to 50% in countries of OECD. There have many useful innovations been implemented in the last decade, such as reducing time of creating a business down to the approximate time implemented in the world developed countries – authors mention – and even more: introduction of programs aimed at the competition and development of SMEs and the accession of Russia to the World Trade Organization. The problem connected to the culture codes that the article says to be one of the challenges to overcome – the fear of not succeeding in starting a business and people’s uncertainty about their skills and knowledges to handle the startup. Which leads to the country to have one of the lowest shares of intentions to become an entrepreneur in the world. Moreover, the growth-orientated entrepreneurs on the other hand claim that in Russia it is far more difficult to achieve their ambitions than in other countries of BRICS. The financing is another issue with SMEs having trouble to access it. Authors also found out that there is a trend of SMEs moving from manufacture industry to trade and services industry. Currently the sanctions from the Collective West did not bring as many problems as they could also due to the parallel import and collaboration of Russia with other countries such as India, China, Vietnam and many others. However, taking the latter conclusion of the article into consideration – the policy towards the manufacturer industry of SMEs is crucial in order to create an independent state with its own production ranging from mobile phones to cars, that may help the country to survive even in the whole trade isolation.

## 1.2 Literature Review: Entrepreneurial Perception of an Enabling Environment (Government Support)

### 1.2.1 Theoretical Framework

Entrepreneurship was considered as a complex idea. In order to clarify it, some researches did surveys what people actions people perceive as “entrepreneurial” (Gartner, 1990)[[33]](#footnote-33). It found out there were two groups of people, who connects entrepreneurship with quite a different theme. The first one recognized such actions as implementing innovation, growth, uniqueness in the business to be entrepreneurial. Others considered that entrepreneurial actions are only those that create value and profit, thus for them if there is no value or profit gained – there is no entrepreneurship.

Researches define entrepreneurship as a mechanism that creates products and services out of its technical information, and that finds out inefficiencies in the economy and mitigates them (Kirzner 1997)[[34]](#footnote-34). The entrepreneurship is tightly connected to entrepreneurial opportunities which help to identify situations when an entrepreneur may introduce new services, goods and organizing methods (Casson 1982)[[35]](#footnote-35). Without entrepreneurial opportunities there is no entrepreneurship, while the opportunities might be recognized through obtaining various information, and there are great amount of not recognized opportunities due to the fact that people usually tend to specialize in some narrow fields of information than a broad, general, one, researchers claim (Shane, Venkataraman 2000)[[36]](#footnote-36).

Entrepreneurship plays a specific and important role in the economy: it creates much value by increasing employment and workplaces (more than bigger firms, but not as stable though), growth of productivity and producing of high-quality innovations (Van Praag, Mirjam, Versloot 2008)[[37]](#footnote-37). At the same time by networking externality creation that leads to innovations creation, entrepreneurs catalyze economic growth (Minniti 1999)[[38]](#footnote-38). The researches that took place in the United States of America shows that increase in entrepreneurial activities directly leads to an increase in economic growth (Acs, Szerb 2007)[[39]](#footnote-39). They found out that the high growth of entrepreneurial activities was in those states, where economic freedom, which includes low taxes, low regulations, secure private property rights, was also high.

In order to explain why an adult person’s intentions to become eager to establish a start-up, some researches got deeper into the perception of people and what factors of perception influence them to become an entrepreneur. Some connected it with the positive factors such as achievement motivation, a desire to get a financial independence (Collins, Moore 1964 “The Enterprising Man”, McClelland 1964 “The Achieving Society”), while others – with the negative factors such as a desire for a control and power, distrustful behaviour and fearing to be a victim (Kets de Vries 1985 “The Dark Side of Entrepreneurship”)[[40]](#footnote-40). Others divided general perceptions into three groups: individual, socio-cultural perceptions and perceptions on economic opportunities (Linan, Santos, Fernandez 2011)[[41]](#footnote-41). After the research and the survey, they made it found all three perceptions, such as: perceiving the economic background with the potential opportunities, having low risk perception, having high self-efficiency, play a key role. However, the perceptions on economic opportunities have not as high influence as expected, while the socio-cultural perception’s influence is the weakest.

It is known that if an individual personally knows someone who is an entrepreneur it increases their chances to become one and increases the positive perception of entrepreneurship (Arenius, Kovalainen 2006)[[42]](#footnote-42). Some studies, in order to answer how the cultural aspect of an individual influence their decision to get into entrepreneurship, use Hofstede’s dimensions. Thus, it was found out that people who live in a society with high power distance (such as Russia, China) and low masculinity (Russia) are less dependent on knowing the entrepreneurs in order to become one (Klyver, Hindle, Schott 2007)[[43]](#footnote-43).

Small and Medium enterprises play a huge role in an economy of any country as it was stated previously, but the desire to establish one’s own business comes from the entrepreneurial spirit of citizens. The entrepreneurial spirit might be different in different countries and cultures. The research that was made in G8 countries (Canada, France, Germany, Italy, Japan, Russia, U.K., U.S.) finds out that in the United States and Canada the majority of their citizens are eager to start their own business, while the highest percentage of people who are frightened of becoming an entrepreneur locate in Russia (43%) and Japan (41%) (Vatavu, Dogaru, Moldovan, Lobont 2020)[[44]](#footnote-44). Fear of failure plays here the main role and is highly connected to risk avoidance (according to Hofstede Russia has 95 out of 100 in risk avoidance culture. Described in the next chapter). Dreisler states that in the recent decades the entrepreneurial activity became the “socially desirable action”, while policy makers faced a problem of promoting entrepreneurship in the society and changing the attitude towards it (Dreisler, Blenker, Nielsen 2003)[[45]](#footnote-45). In the research that was made in Denmark, it was found out that policy makers concentrate too much on the specific programs in details and lose the bigger, general, picture, while in other situations they try to implement one single specific instrument to a heterogeneous group of entrepreneurs, lacking the ability to see that multiple different instruments would achieve better results. Another survey from Denmark of entrepreneurship in the period of 1955 – 1975 shares the experience with us that the majority of entrepreneurs felt obstructed with their firms growing due to the lack of any experience of handling a business in “their daily family life” and the young people’s loss of the role models. Thus, it brought researchers to the conclusions that the business experience should be already shared at schools to encourage youngsters to create new businesses with their own ideas. Dreisler structured previous surveys of Danish people’s attitude towards entrepreneurship into a table.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Attitude towards entrepreneurship** | | |  |  |
|  |  |  |  |  |  |
| **Positive** |  |  |  |  | **Negative** |
|  |  |  |  |  |  |
|  |  | **Entrepreneurial Behaviour** | |  |  |
| **Engaged** |  |  |  |  |  |
| Reinforcement process | |  |  |  | Rationalization process |
| People that have become entrepreneurs. They have started a firm and | | | | | A number of people may be engaged in some of entrepreneurial |
| they enjoy what they are doing. The task is to sustain both the behaviour | | | | | behaviour but have a negative attitude towards it. They may out of |
| and the attitude if these entrepreneurs. | | |  |  | necessity have been forced to start a firm. |
| This may, however, not be a stable situation. They may lose the firm or | | | | | Because of the discrepancy between the attitude and behaviour, the situation |
| they may lose the spirit. | |  |  |  | often tends to be temporary. |
| (1) Reinforcing their ability to run the firm | | |  |  | Atittude change would be the primary objective in trying to move the |
| (2) Reinforcing their attitude towards being an entrepreneur; or | | | |  | group from cell 2 to cell 1 |
| (3) Reinforcing both may be necessary | | |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Not engaged** |  |  |  |  |  |
| Inducement process | |  |  |  | Confrontation process |
| A number of people may have a positive attitude towards becoming | | | | | Large proportions of the population are not entrepreneurs and probably |
| entrepreneurs, but so far have not started a firm. | | |  |  | have no ambition to become so. |
| An inducement process therefore often refers to minimising or reducing | | | | | As behaviour is in accordance with the attitude, changing these people |
| thevarious social, economic or personal obstacles that constrain them. | | | | | into entrepreneurs would probably be a difficult, painful and costly |
| Behavioural change would be the primary objective in trying to move the | | | | | process. |
| group from cell 3 to cell 1. | |  |  |  | The task is difficult and would probably consist of a two-step process, |
|  |  |  |  |  | moving first to cell 2 or cell 3 and alter from there to cell 1. |

Table №1

As we can see, and as authors implied the major obstacle for one to establish a business is an attitude and behaviour, thus the policy makers’ aim is to change it and support those who are already entrepreneurs but may lose the spirit due to the business activities’ obstacles and difficulties. Another research was made in 43 countries in 2003-2005 that found out that many difficult procedures and high minimum capital to start a business place high barrier for many entrepreneurs to enter the market (Dreher, Gassenber, 2011)[[46]](#footnote-46). While in highly regulated economies the big role plays corruption that prevents new enterprises from entering market quickly. The research that was made in the States shows us that state and local government support has an influence on the optimism of businessmen and the performance of the enterprises (Kaya, 2019)[[47]](#footnote-47). Comparing to other states with lower support, the performance and optimism of businessmen are higher.

Public support provides entrepreneurs not only with financial help but also covers other aspects such as consultancy and providing information which in its turn increases the engagement of entrepreneurs with business opportunities (Nowinski 2020)[[48]](#footnote-48). The study of Nowinski clarifies more details about the perception of entrepreneurship, stating that both society with their support and acknowledgment of entrepreneurships’ importance and the positive perception of government support methods towards entrepreneurs create a basis for increasing of entrepreneurs’ activity in the community. Moreover, entrepreneurs are more likely to take the entrepreneurship risk, knowing that there is an external support from the government if they face obstacles with being short on finance or other problems. The psychological study which led to the organizational support theory shows that the more support a person gets from a specific organization, the more obliged they feel about it, thus creating a connection between two (in our case entrepreneurs and the government) (Rhoades, Eisenberger 2002)[[49]](#footnote-49). The positive attitude that is being created by the government support towards small and medium businesses and generally more developed area also encourage more people to get into entrepreneurship and state the more positive social valuation of entrepreneurship, the Spanish research says (Linan, Urbano, Guerrero)[[50]](#footnote-50). Though success and development of enterprises rely on the government tools of support, the research that was made in Bosnia and Herzegovina shows us that even if the government implements various support, entrepreneurs themselves may see those as inefficient methods and be dissatisfied (Dzafic, Babajic 2016)[[51]](#footnote-51). This shows us that the connection between entrepreneurs and government officials is crucial and should exist in order for the government to receive feedback about their implemented support methods and entrepreneurs should have a possibility to influence on those methods for them to be more useful and appropriate. However, there is a common situation when the government provide entrepreneurs with support tools and support programs, but those are not promoted enough. The research that was made in Oman about the perception of youth towards entrepreneurship shows that majority of young generation of Oman has a positive attitude towards starting a business, becoming self-employed and they are positive about taking risks and about their strengths (Varghese, Hassan 2012)[[52]](#footnote-52). Though the majority of them (60%) do not even know whether there is any government help available for entrepreneurs, which stops some of them from starting a business.

As for the entrepreneurship and government policies in the Russian Federation, recent researches say that there are huge opportunities in the SMEs sector because it is still underdeveloped (Voronkova, Kurochkina, Firova, Bikezina 2018)[[53]](#footnote-53). There are several main reasons for this, such as: complexity of financing new start-ups, negative attitude of Russians towards establishing their own enterprises due to being afraid to lack the specific knowledge to maintain a firm and structural barriers that makes that small amount of people who are eager to become entrepreneurs face with additional difficulties.

## 1.3 Cultural codes and why to compare Russia to China

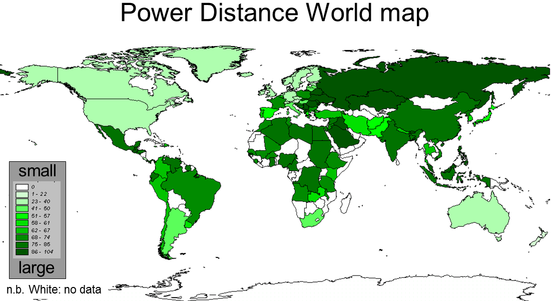
Let us move to the part which consists of comparison between Chinese cultural codes and Russian cultural codes, and which proves that Chinese economic policies might be implemented in Russia with the similar sufficient result.

Firstly, there is a need to mention why this is important, and why cultural codes play a crucial role in economy. It is well known that different world economies are successful differently. The best example for this is the difference in sufficient economies between the United States and Japan, where the latter was the second economy in the world for several decades from 1968 till 2010 when this place was taken by China. The United States is individualistic in its approaches, and the very idea of “American Dream” suggests high vertical mobility for anyone who is capable to work hard for their goals[[54]](#footnote-54). While Japan being more collectivistic nation came to the idea of creation such relationships as Keiretsu, an alliance, where a supplier, a manufacturer, a seller and a bank is tightly connected to each other and work in the common interest[[55]](#footnote-55). As well as the business world and the government structures have a very deep connection to each other in a kind of collaboration way.

The cultural differences between nations that have an effect on the competitiveness in the world economy was studied by Geert Hofstede[[56]](#footnote-56). He insisted that there are six cultural dimensions such as:

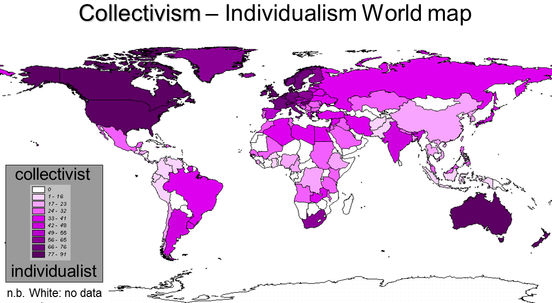
* Power distance,
* Individualism vs. collectivism,
* Masculinity vs. femininity,
* Uncertainty avoidance,
* Long-term orientation vs. short-term orientation,
* Indulgence vs. restraint.

***Power distance*** from the economic perspective shows the ability of a nation towards being innovative and efficient during crisis periods such as epidemics or wars. By the scale from 0 to 100, where 0 is small distance of power and 100 is large, Russia has 93, China has 80 and USA – 40. It is recognized that the lower the power distance the more innovative the nation is and the more it attracts entrepreneurship, while the larger it is the more efficient the productivity of the nation is during the crisis periods[[57]](#footnote-57).



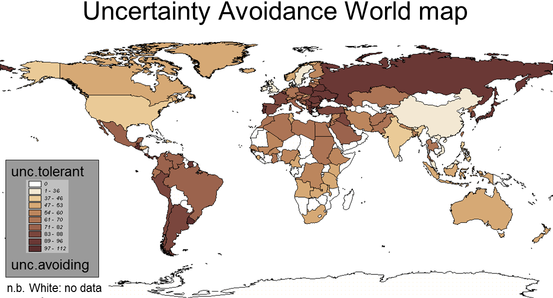
Picture №1

The second factor is ***individualism***, which has an impact on economic activities of a nation is the scale of individualism. Individualism is a crucial factor which defines what kind of innovation usually take place in the society – is it a fast radical one due to the high individualism or is it a slow constant change over time due to the low individualism (high collectivism). According to the analysis, Russia has 39, China has 20 and USA has 91 of individualism.



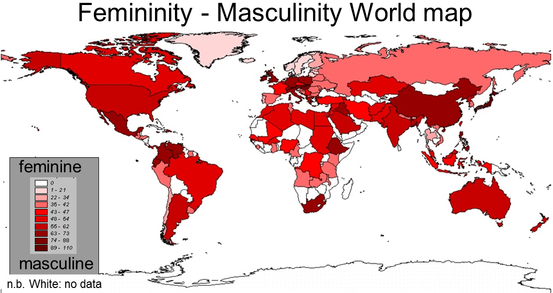
Picture №2

***Uncertainty avoidance*** is the third dimension described by Geert Hofstede. As the name of the dimension says it is about the desire of a nation to let the things stay as they are now, because of the fear of the uncertainty. The more uncertainty avoidance the nation has, the more it tends to follow different rituals or rules and the more it seeks the ultimate truth. Here we may see the bigger difference between Russia and China than in the two previous dimensions (95 and 30 accordingly), while USA has 46.



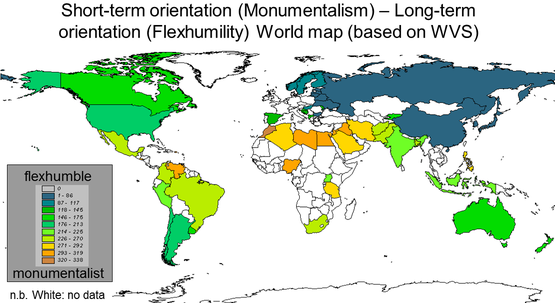
Picture №3

***Masculinity*** is important due to its influence on the society where the masculine countries are seemed to be more competitive, where it is recognized “the more the better” and where the mass production is easier structured than the individual approach. Feminine societies tend to have more empathy, modesty than eager to receive awards. By Geert Hofstede analysis Russia has 36, China – 66, USA – 62.



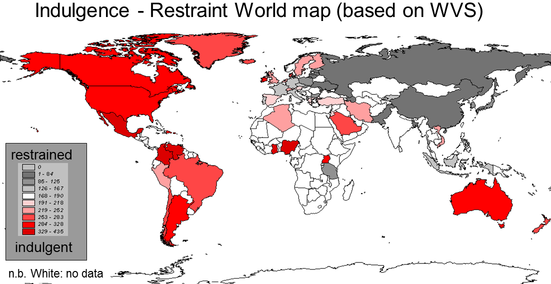
Picture №4

***The long-term orientation*** is defined as an ability of a society to look into the future as it is always changing, thus the dynamic mindset is required, which means such societies are more flexible to change. As they focus on long term goals, short oriented societies tend to rely on traditions and to look into the past to rule the present. Such societies resist to change, or it takes lots of efforts for them to change. Russia and China are at the head of flexhumble societies (81 and 87 respectively), while the States have 26, which puts them closer to short-term orientation.



Picture №5

***Indulgent dimension*** stands for respecting one’s desires, need for happiness and fulfillment, the indulgent society gives a focus to an importance of personal control and freedom. While restrained nations believe that personal happiness and desires should align with society and should not be freely expressed. (Russia has 20, China – 24 and USA – 68)



Picture №6

As we can see by the country comparison graphic USA, Great Britain and Germany stands closer to each other, while Russia and China are far away from them and stand together. The comparison made by Individualism and Power distance. Overall, by all six dimensions such as power distance, individualism, uncertainty avoidance, masculinity, the long-term orientation and indulgence Russia (93, 39, 95, 36, 81,20) and China (80, 20, 30, 66, 87, 24) seem to be drastically different only in uncertainty avoidance (by 65 points) and a little bit different in individualism (by 19 points) and masculinity (by 30 points).

A graph with brown dots

Description automatically generated

Picture №7

There is a similarity between Russia and China such as being ruled by the communist party for more than 50 years, which raised generations of people being relied on a planned economy. However, while China came to hybrid economy, the so-called “Chinese way of socialism” – coexistence of plan and market that has been achieved by the policy of reforms and openness or Gaige-Kaifang (改革开放) that was started by Deng Xiaoping, Russia stopped being a Soviet state, moved to open economy and capitalism through the shock therapy made by the government of Yeltsin-Gaydar due to the advices received from the International Monetary Fund, the World Bank, and the Harvard University[[58]](#footnote-58).

Geert Hofstede’s analysis lets us see that USA and Russia are being drastically different on a cultural level with Russia’s (93, 39, 95, 36, 81,20) against (40, 91, 46, 62, 26, 68) of the States. The recommendations received from the West and the policy that was made by Yeltsin government, obviously, led to default not only due to the cultural differences between the advisor-country and Russia but yet cultural codes are still important to be taken into consideration.

It is obvious that image of a country and its cultural codes may change to some extent[[59]](#footnote-59), but certain actions from the government side are always needed and the most crucial asset is time. We may see the most well-known example of trying to cope with cultural codes by being in a collaboration with the West is the last several decades after the collapse of Soviet Union when the Russian government tried to make the West countries its main partner instead of paying more attention to the East, while in their turn the Collective West tried to gain economic influence in Russia in order to suppress Russian political influence in the world by such actions as making threats with implementing economic sanctions. Which in the end led to the economic warfare between Russia and the Collective West, conflict of interests in Ukraine, during which Russia finally started to perform the so-called “Turn to the East”[[60]](#footnote-60) being more relied on China, India, Iran and other countries and organizations, such as BRICS.

One managerial idea that works perfectly in one country cannot be just copied and insert into drastically different culture. It will either bring no result at all or in the worst-case scenario lead negative consequences. This is why the idea of looking more carefully into Chinese economic policies and implementing some of them in Russia may have a chance due to the similarity of our cultural codes.

### 1.3.1 Factors Influencing the Entrepreneurs’ Perception of Government Support Methods

The study from Brazil which shows insufficient resources of public policies, restrictive criteria of eligibility, excess bureaucracy (C. Bezerra, Ramos, E. Bezzera, Teixeira, Magalhaes 2023)[[61]](#footnote-61) might be the factors that influence the perception of entrepreneurs on government public policies. Moreover, the study from South Africa that specifies on female entrepreneurs speaks of lack of infrastructure – the government, from the perspective of entrepreneurs, cannot create enough enabling environment for the support methods to work in an efficient way (Meyer 2018)[[62]](#footnote-62). The interest rate charged, transparency of the loan sanctioning process are another factors that may influence the perception of entrepreneurs towards the government support in a negative way, the Indian research found out (Joshi, Bharti, Dangwal 2021)[[63]](#footnote-63). The respondents answered that the high interest rate charged by the banks in the government support method that was meant to encourage the funding process stopped many of Indian entrepreneurs from using those support methods, while another interesting factor was low transparency of applying for a support – entrepreneurs were worried they will feel “dreadful if a loan is not granted” (Small Enterprises Development, Management & Extension Journal 48 p.42). Czech research also implies the importance of legal system and of government institutions in entrepreneurs’ perception towards the overall desire to run any business (Hlavacek, Zambochova, Sivicek 2015)[[64]](#footnote-64). In their research they speak about the difficulties from the legal perspective and institutional barriers to simply develop the business and the low communication level between entrepreneurs and government institutions.

Overall, we may structure those factors by special criteria getting types of factors: economic and institutional factors (including the interest rate charged, lack of infrastructure), cultural factors (including cultural codes, transparency of the loan sanctioning process), individual factors (experience, emotional state).

A diagram of a diagram

Description automatically generated

Diagram №1

## 1.4 Supportive Laws and Policies towards SMEs

### 1.4.1 Introduction

#### 1.4.1.1 Brief overview of China’s economic transformation

China is the biggest economy nowadays by its Purchasing Power Parity, the most fast-growing economy and the second country by GDP in the world. Majority of the businesses are state-owned due to the specifics of Chinese market economy. The biggest industries are Manufacturing, Mining, Energy and Agriculture. Manufacturing is accounted for 46.8% of the whole GDP of China[[65]](#footnote-65). China is the world’s leader in manufacturing.

China started to grow fast as an economy since 1978, when the government made some liberal reforms in the foreign trade and investments and encouraged creating of private businesses. Several researches used to say that the boom of the Chinese economy happened due to capital investments, but lately International Monetary Fund discovered that “while capital formation alone accounted for over 65 percent of pre-1978 growth, with labor adding another 17 percent, together they accounted for only 58 percent of the post-1978 boom, a slide of almost 25 percentage points”[[66]](#footnote-66), coming to the conclusion that all other was made with the productivity of workers. The research states that after the reform of the 1978 the productivity annual rate growth became three times bigger (1.1 in 1958-78, and 3.9 in 1979-94).

Since that time China became to be the most fast-growing economy in the world, however the pace of GDP growth has declined from 14.2% in 2007 to 6.6% in 2018 due to the maturity of the economy. By now International Monetary Fund forecasts the GDP growth of 5.5% in 2024[[67]](#footnote-67).

In 2018 the government of the United States imposed import tariffs on the Chinese production, thus making the price of Chinese goods higher for American consumers in order to encourage them to buy domestic goods and in order to weaken the Chinese economy, since the States were its main import partner[[68]](#footnote-68). That led to a China-USA trade conflict during Trump, while during Biden the situation has not changed mostly.

Being relied on the manufacturing industry as on one of the biggest, China faced severe problem during the Covid due to the lockdown. Many companies such as Tesla, Volkswagen had to postpone the work of their manufactures in China, while stock market also went down[[69]](#footnote-69). However, thanks to the actions of the party and the loyalty of people in following the restrictions rules the country’s economy became the first major economy to beat the Covid-19 and return to a normal life[[70]](#footnote-70). At the same time many Chinese companies bought their shares back from the Western funds during the stock market decrease.

Recently, the trade with Russia has been increased much, making 218 billions of dollars in 2023, completing the planned goal with a better result than was forecasted and surpassing the 2022 trade results greatly. The trade between Russia-China has more than doubled since 2018, strengthening the bond and the friendship between two countries[[71]](#footnote-71).

#### 1.4.1.2 Brief overview of Russian’s current economic situation

According to the most recent World Economic Report, as of the end of 2022, Russia's economy ranked in the top five in the world and was the largest in Europe in terms of purchasing power parity (PPP), despite efforts by the West to suppress it.

It also showed that the Russian economy outrun Germany’s in purchasing power parity becoming the sixth in the world, with Germany’s economy coming in at $5 trillion.

Both the IMF and World Bank have revised their predictions for the Russian economy, anticipating an upward trajectory. Despite facing Western sanctions and exclusion from financial systems and trade relationships, Russia's GDP is expected to grow due to strong trade, robust industrial production, and higher-than-anticipated energy revenues. The World Bank specifically forecasts a modest but positive economic growth of 1.2% in 2024.[[72]](#footnote-72)

Even though in 2022 there was a stagnation and economic downturn, noticeably increased prices for raw materials were able to support the economy, while sales volumes did not decrease much and remained for some time.

The crisis of 2022 year was a turning point for the Russian economy's development strategy. The current strategy, which focused on making Russia a significant supplier of raw materials to the global economy in order to maximize profits from foreign economic activity, was rendered unsustainable as a result of a sharp decline in trade and economic links with the West. The crisis forced a structural transformation in the Russian economy, highlighting the necessity of utilizing the domestic market's potential for medium- and long-term growth and turning to the East[[73]](#footnote-73). Making the switch to this new paradigm will not be easy, though, as it will probably have a big influence on income, production, and price structures. Prioritizing development objectives and putting processes in place that are in line with a long-term outlook for the economy—while taking prospective structural changes into account—are necessary for an effective transition. Although Russia continues to play a critical role in international supply chains for competitive raw materials, the need to share scientific research findings and innovations with allies emphasizes the need to restructure external economic flows and create new payment and reserve systems. The impediment to Russia's medium- and long-term economic growth stems from the country's inability to access important research and development milestones that are under the control of developed nations. This presents a significant challenge that calls for Russia to step up its efforts in the scientific and technological domain and increase its research collaboration with other countries.

Overall, we can see that Russia slowly recovers from the imposed sanctions, however still the economic situation is unstable.

One of the main factors affecting the business sector in Russia is the sanctions policy of the West. Sanctions have a negative impact on a number of sectors of the economy, such as the oil and gas industry and the financial sector. However, thanks to the diversification of the economy and the development of other industries, such as IT technology and retail, Russian companies continue to achieve success.

In general, the economic situation in Russia in 2023 remains unstable, but at the same time the country continues to demonstrate positive trends in various sectors of the economy. Large corporations continue to achieve success, but Russian startups are also actively developing and opening up new business opportunities. An important factor for a successful business in Russia remains adaptation to new conditions and the search for new opportunities for growth.[[74]](#footnote-74)

The trade cooperation and political trust with the People’s Republic of China increases as well. The energy cooperation is one of the main topics. Vice Premier Ding Xuexiang says that a model of mutually beneficial and equal cooperation is being established nowadays[[75]](#footnote-75).

### 1.4.2 Financial support

#### 1.4.2.1 Low-interest loans, subsidies and tax incentives in China

Chinese economy is heavily based on SMEs which play a crucial role in its development, so the government is interested in supporting small and medium firms as much as possible. One method of the support that comes from the government is low-interest loans and financing. The People’s Bank of China (PBC) shows a great interest in supporting SMEs, while Pan Gongsheng, the deputy of the PBC stated that loans to small and micro-sized enterprises “totaled 17.8 trillion yuan ($2.75 trillion) of the end of July” in 2021[[76]](#footnote-76). At the same year the government established a new stock exchange in Beijing in order to help SMEs to grow by the direct request of President Xi Jinping[[77]](#footnote-77).

China set up a unified national financing registration system that “uses movable property and rights as pledges” to encourage banks to give more loans to SMEs[[78]](#footnote-78).

Small and low-profit firms in China also enjoy tax cut if they fulfill the necessary requirements. The company is exempted from Value-Added-Tax (VAT) if their monthly sales are under 100,000 RMB or if their quarter sales are under 300,000 RMB. Moreover, if a firm is obliged to pay VAT because they do not fulfill the requirements, they still enjoy 3% VAT being reduced to 1% VAT.

Corporate tax reduction from 25% to 20% might be implemented to firms that correspond to next requirements[[79]](#footnote-79):

* Not exceeding 3 million in RMB in annual taxable income,
* The number of employees does not exceed 300,
* Total asset value does not exceed 50 million in RMB.

#### 1.4.2.2 Low-interest loans, subsidies and tax incentives in Russia

SMEs make a 37% of GDP and 35% of all workplaces in Russia, while 96% of all SMEs in Russia are micro business[[80]](#footnote-80). The government currently proposes preferential loans for small and medium-sized businesses under the 1764 program for four goals[[81]](#footnote-81):

* Investing (for example, to buy new inventory, reconstruction of the production)
* Fulfilling of operational assets
* Refinance
* Development of entrepreneurship

The loan rate is 15% for small businesses and 13.5% for medium businesses. Overall, more then 950 SMEs got around 92.5 billions of rubles in first 10 months of 2023 during this program of preferential investment loans[[82]](#footnote-82).

The PSK+1764 investments lending program implemented by the Bank of Russia; the Ministry of Economic Development provide a loan to SMEs. The loan rate is up to 9% for small businesses (including micro businesses) and up 7.5% for medium businesses. The industries that can get such a loan are manufacturing, processing of agricultural products, logistics (for the Far Eastern and Caucasian regions, Crimea and Sevastopol), hotel business, as well as professional, scientific and technical activities[[83]](#footnote-83).

High-tech innovative SMEs can receive a loan of 3% rate up to 500 millions of rubles. The government expect that in 2023 more then 100 firms will get the support of such a low-interest loan, which makes the common sum not less than 15 billions of rubles[[84]](#footnote-84).

Nowadays small and medium firms can apply for so-called “loan holidays” within the program of the government support due to the sanctions of non-friendly states. A new law № 46-FZ implements loan holidays for loans that were taken by a firm before March 1, 2022. After the application, the request for loan holidays is being sent to the bank where the loan was taken, and the bank is obliged to change the graphic of payments. The company can choose the longevity of those holidays by itself, but it cannot exceed 6 months[[85]](#footnote-85). The inspections made in a SME by Rospotrebnadzor, labor inspections and the Ministry of Emergency Situations also were paused by the government since 10th of March, 2022.

### 1.4.3 Technology and Innovation

#### 1.4.3.1 Overview of government initiatives in China

A special SME bureau under the control of Ministry of Industry and Information Technology which specialize in helping SME in China announced in its 5-years plan main goals of its support towards small and medium business. The main targets are above 10% increase in the number of patent applications, above 18% increase in SME’s operating income, over 10% annual growth in R&D spending of small firms. The plan also states that China aims to obtain 1 million of innovative firms, 100,000 of small and medium firms that specialize in niche sectors and 10,000 of so-called “little giants”[[86]](#footnote-86). Little giants are “small enterprises that are still in the early stage of development and focus on the new generations of information technology, high-end equipment manufacturing, new energy, new materials, biomedicine and other high-end fields”[[87]](#footnote-87). In 2021 China had 4,700 firms that could be called little giants.

The initiative of China called “Made in China” aims the main goal to create out of the country the best innovative manufacturing leader with advanced technologies in use till 2050. A big role is given to transformation of “Made in China” slogan to “Created in China” which means concentration on domestic goods, becoming less dependent on foreign high-tech materials in own production. Thus, the government supports domestic firms, SMEs, to create its own innovative industrial base.[[88]](#footnote-88) The first step that takes place since 2015 till 2025 targets green and smart manufacturing[[89]](#footnote-89). The government understands that if the manufacturing industry wants to create even more goods with better efficiency then one of the main issues is the pollution that manufactures produce as a side-effect. Thus, a smart use of energy and green policy should be implemented in all major industries that cause pollution[[90]](#footnote-90). That is why China also pays a lot of attention to IT industry with energy-saving, new energy, robots and high-tech[[91]](#footnote-91). One of the new main strategic industries China as well names AI as a future base for strategic development[[92]](#footnote-92).

Achieving an innovation eco-friendly industrial base is possible by cooperation between the government, SMEs, universities and research institutions, Yue Song states in their article[[93]](#footnote-93). While various institutions through cooperation provide SMEs with additional knowledge about enterprise innovation, the government should actively adopt eco-friendly policies based on the conditions in different regions. Overall, this is the very way China follows.

#### 1.4.3.2 Overview of government initiatives in Russia

There are several national projects in Russia that support SMEs. One of them is called “Small and medium entrepreneurship corporation” which aims to support a firm on every stage of its existence – from the idea to entrance of foreign markets[[94]](#footnote-94).

One part of this national project that was launched by Ministry of Economic Development of Russian Federation is establishing an online portal and centers of support for SMEs called “MyBusiness”[[95]](#footnote-95). Such centers exist already in 84 regions of Russia and their main aim is to serve both already established businesses in finding new clients and selling the production, and people who only have an idea with a registration of an “individual entrepreneur” status and in education how to manage the business.

The “Small and medium entrepreneurship corporation” in collaboration with Gazprom-Media recently launched an educational project for small and medium businesses, which aims to give SMEs a clearer understanding of different segments in media, thus in the end making the media and target advertisements of SMEs more effective[[96]](#footnote-96).

There is a special index in Russia called “OPORA RSBI Index”. This index sees its goal in understanding the average mood in Russian SMEs and its growth in business activity[[97]](#footnote-97). The analysis is made taking into consideration next criteria[[98]](#footnote-98):

* Business Expectations
* Sales & Profit
* Selling prices
* Cost
* Personnel
* Number of clients
* Availability of financing
* Inventory Balance
* Investment

If the index is above 50 points then it means growth, if it is under 50 points – decline[[99]](#footnote-99).

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Description automatically generated

Table №2

Table №2 shows us that recently in June the index got to its historical maximum – 55.3.

The “OPORA RSBI Index” includes “OPORA Start” and “OPORA Creation”. The first one searches for producers of goods of common use, makes trainings of business management and brings up the topics of actual trends in the market[[100]](#footnote-100). While the second one aims to implement positive changes into Russian culture of doing business based on the harmony of personal, community’s and economical desires[[101]](#footnote-101).

Russia tries not to stay away from the IT trends in the world. Recently, some initiatives were made to encourage more people to become IT specialists and IT businesses to develop easier. Thus, Decree of the Government of the Russian Federation dated April 30, 2022 No. 805, Decree of the Government of the Russian Federation dated March 28, 2022 No. 490, Federal Law No. 207-FZ dated June 28, 2022 implement new exemptions[[102]](#footnote-102):

* IT workers can get deferment from obliged military service if they are under the age of 27
* IT businesses are exempted from paying an income tax (a zero tax rate was introduced)

Moreover, if the company wins a grant from the budget – the government pays 8% of the total sum of expenses needed to start a project[[103]](#footnote-103).

Another initiative of the government is the financing of the creation of more than 70 technology parks and industrial parks where SMEs may enjoy the preferential rent and ready-made infrastructure to help enterprises to start its growth faster[[104]](#footnote-104). The representatives of the government report that currently there are more than 400 technology and industrial parks in the country and for the last 10 years the residents of those parks made investments amounting for more than 2 trillions of rubles.

### 1.4.4 Global Market Access

#### 1.4.4.1 Chinese policies supporting exports, and participation in global trade fairs

The number of firms in China that are involved in foreign trade is increased from year to year. In 2022 this amount was 598,000, where 510,000 are private companies, Lyu Daliang, spokesperson of the General Administration of Customs of the People's Republic of China (GACC) states[[105]](#footnote-105). The government support firms that are involved in foreign trade by strengthening the connection with its main trade partners, creating new measures to reduce the Customs clearance time for exporters, and by developing the cross-border e-commerce system[[106]](#footnote-106). However, the weak demand for Chinese products in the European Union because of EU’s economic problems and in the United States of America due to their trade conflict with China still remains a crucial problem for Chinese export firms.

### Russian policies supporting exports, and participation in global trade fairs

The Russian annual international export forum that support SMEs and aims on entering foreign markets is called “Made in Russia”[[107]](#footnote-107). The forum brings up topics that are crucial for export firms and lets arrange B2B meetings.

Another national project “International cooperation and export” that was launched in Russia in 2018 aims to increase the competitiveness of goods made in Russia and increase their amount in the foreign markets. The main goals till 2024 are[[108]](#footnote-108):

* Increasing the volume of non-resource non-energy exports to $250 billion per year by 2024. The volume of exports of services is up to 100 billion US dollars per year;
* The share of exports of goods (works, services) will be at least 20% of the country's GDP;
* Increase in the volume of trade between the member states of the Eurasian Union by 1.5 times.

The discussion is being hold now to prolong the project “International cooperation and export” to 2030[[109]](#footnote-109).

### 1.4.5 Conclusion

#### 1.4.5.1 Summary and anticipation of further exploration

To sum up, Russian Federation and the People’s Republic of China both support its SMEs. However, the main difference that is easy to see is that China is already enjoying the products of local production going to foreign markets in large amounts and now the government is only encouraging businesses to develop its own high-tech materials and become less dependent on foreign imported technologies in the manufacturing its own products. China concentrates on green energy, IT industry with high-tech promising firms which may play a role in Chinese economical breakthrough with a new advanced technology.

At the same time Russia tries to increase the number of SMEs to a higher level in most of industries to have more of its local products. The SMEs’ contribution to GDP of Russia is only 20%[[110]](#footnote-110), which is lower not only comparable to developed economies but also to developing ones. For comparison, the contribution of SMEs into GDP in the States is more than 40%[[111]](#footnote-111) and in China – over 60%[[112]](#footnote-112). At the same time some businesses state that to get government support for SMEs in Russia is still quite hard due to the many requirements that a firm should fulfill to get a support[[113]](#footnote-113). However, the steps in this direction are already in the process of making, while sanctions from the non-friendly countries give chances to more SMEs to have a bigger market share in the domestic market with Russian local goods.

Both countries implement low-interest loans to SMEs, establish national projects and initiatives to help the firms. The good thing that might be taken from China is to establish in Russian Moscow Exchange the stock share of most promising small and medium businesses to help them to develop further. The majority of Russian SMEs are micro companies that have less than 15 people, thus to encourage them to grow is a crucial task for the government.

The further exploration might be connected with studies of Russian entrepreneurial behaviour and of real experiences of small and medium businesses that face obstacles on its way to get a sustainable business. The study of Chinese businessmen who owns small and medium businesses may help to get some insights on what the difference between the view of entrepreneurship by Chinese and Russians and their view on the government support and its real help is. By the end of this study it might be more obvious what brings the difficulties for development of SMEs in Russia – the local culture of entrepreneurships or the government’s ineffective policies.

# Chapter 2

## 2.1 Methodology

This study uses such qualitative research method as “interview-based study” to gain in-depth insights from the Russian and Chinese entrepreneurs whether they access/use the support from the government structures towards Small and Medium Enterprises, what challenges they have to overcome to receive it, what disadvantages they see in those support methods and how easy they may get that very support. As the entrepreneurs’ perception of government support might be affected by different factors including attitude to the government actions, overall satisfaction of life, the interview-based study qualitative research method was chosen due to the desire to look into the data with a psychological perspective. Moreover, the cultural codes of Russia and China have been analyzed in order to see the differences/similarities between nations and their approaches towards entrepreneurship, SMEs and its support methods.

### 2.1.1 Date Collection

The majority of entrepreneurs who participated in the interview-based study were found in the Internet, the specific website of manufacturers of different regions of Russia[[114]](#footnote-114), and contacted by phone to agree on a meeting. Some of them later gave me contacts of their colleagues, who were also ready to answer my questions. The entrepreneurs from other cities of Russia were interviewed through Telegram video-calls. The small and micro businesses’ entrepreneurs were more open to cooperate, than the entrepreneurs of medium businesses.

The Chinese entrepreneurs were found through the Chinese social network 微信 (WeChat) and also interviewed through it. It was surprising that out of 50 entrepreneurs from each country (total of 100) who was asked to answer my questions, 10 Russians (20%) and only 3 Chinese (6%) willed to participate in the interview-based study. At the same time, the majority of Chinese said “the questions were too difficult” when declined the proposal to take part in the research.

## 2.2 Data Analysis

I got results through qualitative research method as “interview-based study” to not only receive raw data but also to understand entrepreneurs from the psychological perspective. To approach the results and structure them I use specific codes that are either positive (if a person replied with a positive answer) or negative (if a person replied with a negative answer). Thus, I insert such codes as: awareness, external context influence, connection to the government, state support usage, perception, emotional state.

Now I would like to clarify in more details about each and every of those codes.

* Awareness shows us if a person, an entrepreneur that is being interview, is aware of any policies and state support available towards small and medium enterprises, whether they know what support might be used for what sector.
* External Context Influence – this code shows us what an entrepreneur thinks about current external context, specifically economic sanctions towards the Russian Federation that makes it either difficult or impossible to operate with foreign and international suppliers and buyers and to operate in the foreign market for the entrepreneur’s firm itself. Negative shows negative influence in the perception of an entrepreneur, Positive means an entrepreneur believes there are more opportunities appeared due to the Western sanctions, and Neutral means there is no change or no effect on the entrepreneur’s activities.
* Connection to the government – shows if an entrepreneur has or had any business with the government, i.e. working on the government contract. This code is important because it may affect the entrepreneur’s perception of the government.
* State Support Usage – this code shows whether an entrepreneur uses or used the government support.
* Perception – this code shows an attitude of an entrepreneur towards the government support methods, their perception about it.
* Emotional state – this code was spectated by the interviewer on whether an entrepreneur has any feeling towards the government, the country, which may lead to the biases in their other answers.

Divided by types (economic and institutional, cultural, individual) previously mentioned codes are locked into those types:

* Economic and Institutional – External Context Influence
* Individual – Connection to the government, State Support Usage, Perception, Emotional State

According to the theoretical framework, that was found out by using the previous researches of perception of the government support in different countries, I defined the first 12 main questions, that can be checked in more details in appendix. That was the first round of the interview, and later to clarify some details that I found in common (i.e. the use of the government support in Covid, and whether the second Russian entrepreneur was also inspected by the state as the first one), I contacted some of those entrepreneurs by the social media once again.

### 2.2.1 Description of the data

There were 10 Russian interviewees whose business locates in the Russian Federation and 3 Chinese interviewees whose business locates in People’s Republic of China. The first table corresponds to the answers of the Russian group.

### 2.2.2 Russian Entrepreneurs

Entrepreneur №1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 48 | 10 years | Micro  4 workers | Resale | Saint-Petersburg | Female |

Entrepreneur №2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 53 | 23 years | Small  30 workers | Manufacturer | Velikiy Novgorod | Male |

Entrepreneur №3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 55 | 17 years | Small  46 workers | Manufacturer | Saint-Petersburg | Male |

Entrepreneur №4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 45 | 12 years | Micro  25 workers | Manufacturer | Cherepovecz | Male |

Entrepreneur №5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 57 | 11 years | Small  28 workers | Manufacturer | Saint-Petersburg | Male |

Entrepreneur №6

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 45 | 15 years | Small  14 workers | Manufacturer | Saint-Petersburg | Female |

Entrepreneur №7

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 59 | 16 years | Small  36 workers | Manufacturer | Saint-Petersburg | Male |

Entrepreneur №8

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 52 | 13 years | Small  15 workers | Manufacturer | Saint-Petersburg | Male |

Entrepreneur №9

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 49 | 15 years | Micro  12 workers | Manufacturer | Saint-Petersburg | Male |

Entrepreneur №10

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 56 | 22 years | Micro  4 workers | Manufacturer | Saint-Petersburg | Male |

#### 2.2.2.1 Results of Analysis

Entrepreneur №1

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Do not need, enough assets to maintain the current activities. Studied the support methods only during the Covid times | Negative attitude, though the entrepreneur does not work with foreign suppliers or buyers | No government orders, entrepreneur believes there are too many hidden challenges | No, currently there are enough assets. The entrepreneur would like to use the support methods during the Covid but the enterprise’s sector was not in the support list | Positive attitude, the pandemic support methods were welcomed | Positive, support government economic decisions, negative attitude towards Western Countries | No, only local goods suppliers, the prices went down after the sanctions due to export decreases | No, currently export of their goods is forbidden in the West. The entrepreneur sees their company is too small to export |

External context influence: Initially deficit of materials to produce the goods, but later the supplier managed the problem and the materials was restored.

Entrepreneur №2

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Knows the methods, need that support but do not want to cooperate with government structures. Would like that banks would directly give the government support | Negative, “the Russian government is at fault for the Western sanctions”, it became harder to maintain the work process due to the sanctions | No, the entrepreneur was brief about this answer | Yes, during the Covid it was too hard to work, so asked for the support to maintain the staff workers. The entrepreneur implies to follow rules receiving the support, but he was state inspected, while officially it was banned to inspect. The entrepreneur’s attitude towards the government decreased | Semi-Positive, Semi-Negative due to the receiving the support but being inspected. “The government does not stick to its words” | Certain Negative attitude towards the government, feelings towards the West countries | Yes, but the suppliers of import goods have the bad time now, some of the goods are not delivered even by parallel import. Had to seek for other import alternatives | No, he believes his goods are not needed abroad |

This entrepreneur showed quite negative attitude towards the government and its support methods. The State Support was received during the Covid time to maintain the specific number of workers. As entrepreneur mentioned, though all state inspections were officially banned during the Covid, right after he received the state support, some inspectors came to him and fined him due to some minor violations. Overall, he shares the opinion that it might be harder to do business on only his own money, but rather be calm, than nervous due to the inspections.

Entrepreneur №3

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| The operating income is enough, did not study the support methods, informational sources are too narrow-specialized, the entrepreneur did not know the support methods do exist | Negative attitude, the entrepreneur thought about externing business abroad, but faced challenges due to the current external context | No, he did not seek government orders, while in his sphere there are not too many government orders, usually it is rare cases | No, look code “Awareness”. The entrepreneur does not want to be “in debt” in front of anyone, including the government. As their company is small, the entrepreneur prefers to work on his own assets and he says “it is simpler, as you rely on yourself” | Positive after he found out that government support methods exist | Positive, “Great to hear! The government tries its best and I see many positive changes in our daily life” – when found out about the support methods | Yes, the costs increased due to the sanctions, but the goods remained, however some of other goods they got from parallel import and he also relies on import from friendly countries | Export to Azerbaijan, stable development |

Due to the logistics and sanctions, import goods’ costs increased.

Entrepreneur №4

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Knows, studied a lot because he wants to extend his business later | Neutral, it did not affect his business much, works with local suppliers and suppliers from friendly states that did not put sanctions | No | Used the support methods during the Covid times and plans to use when will extend. He does not find it difficult to get a support | Positive, finds it useful as an entrepreneur to have a possibility to apply for support from the government. Overall, perceived the help during the pandemic in a positive way | Neutral, quite careful with his words and talks not much, only straight to the answers with few details. Seems to approach the questions without taking personal feelings into considerations (any, positive or negative) | Yes, buys from Chinese suppliers | No, the capabilities of the firm work on maximum |

The State Support was received during the Covid time to maintain the specific number of workers. The entrepreneur did not have any state inspections connected to receiving the government support.

Entrepreneur №5

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| No, currents assets are enough to maintain firm’s activities, he works with pre-order money, works with individual approach which does not put him into difficult situation which requires additional finance | Negative, got some difficulties with previous suppliers of import goods | Yes, but not the main source of income, makes children playgrounds in different districts of Saint-Petersburg. Not always gets the payment from the government orders in time, so takes them when he does not have any other orders | No, look code “Awareness” | Positive, thinks it is important that the government starts more frequently help local small enterprises, believes that it boosts the economy’s development | Neutral, did not complain about anything connected with the government, but at the same time did not say anything positive about it. Spoke only about questions directly | Yes, buys from foreign suppliers from the friendly states that did not put any sanctions | No, does not seek to sell abroad, and nobody contacted him about it, and he is quite fine with it |

The entrepreneur complained about not reliable staff, that may disappear or do not come to work so sometimes he has problems with time management and has to work in a hurry

Entrepreneur №6

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| No, does not need any help due to the characteristic’s traits (personal fears), she is afraid of further extending business due to the high uncertainty avoidance characteristic | Neutral, was not affected by the sanctions because she buys only from local suppliers | No, she is assured that the government pays later then it is agreed, so she avoids government orders | No, check code “Awareness” | Neutral, does not really care, because she is fine with her own assets | Neutral, she was quite short speaking during the conversation, did not complain about anything connected to the government, but answered only questions directly without any praising, looked too focused on the questions than on the personal feelings | No, she buys from the local suppliers | No, due to already having too many orders in Russia |

Entrepreneur №7

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | | State Support Usage | | Perception | Emotional state | Import | Export |
| The entrepreneur knows about the government support, but he does not study it, and he literally said “I am proud of not using the government support and not taking any loans, I rely only on my own assets” | It was quite tough to overcome challenges that appeared due to the sanctions, but in the end the entrepreneur started to use the Turkish import goods instead of Italian ones. Parallel import exists for them, but it takes almost half a year to receive those materials | | Used to have government orders before the Covid-19, but later the entrepreneur stopped taking government orders due to the payment delays, while it was quite tough to survive during the epidemic and every sale were crucial | | No, look code “Awareness”. The entrepreneur said he does not want to be obligated to anyone | He believes he should rely only on himself, but overall has a positive attitude. | Positive attitude, very positive person in general | Buys Turkish supplies, and parallel import from the Western countries | No |

After the Covid finished, and the demand increased comparing to Covid times, they expanded their business due to many competitors’ firms going bankrupt during the epidemic, but the government support was not used due to the personal characteristics. Though they felt quite hard and almost went bankrupt themselves, the entrepreneur still did not want to use any government support.

Entrepreneur №8

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Yes, he studied the government support | The entrepreneur faced quite big challenges and obstacles due to the Western sanctions, and some products could not be replaced, but overall, they changed to the Turkish goods | No, the entrepreneur does not want to take any government orders | The entrepreneur tried to get a government support after his manufacture burned down, but the government did not meet his needs, and he also lost a trial while trying to get the insurance’s money | Negative attitude due to the events that occurred and the nervous process that he was in. Eventually, the government did not help him, and he survived on his own and opened a new firm | Neutral attitude towards the government but the negative attitude towards the government institutions, especially the government institutions that provide support instruments | Yes, Turkish suppliers | No, he thinks the company is too small for being an exporter |

Entrepreneur №9

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| He knows that the government has some support instruments but did not study them | The impact of sanctions was great, it forced him to find new suppliers in friendly states such as China, Turkey. But at the same time it was swift and smooth | No government orders, as he orientated on an individual approach | No, he does not use the government instruments and he relies on his own assets and works with a pre-payment | Positive attitude, but does not plan to use | Neutral attitude towards the government, the person only directly answered questions and did not add his own feelings to the answers | Import from friendly states | No, individual approach and quite small firm |

Entrepreneur №10

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| No, the entrepreneur does not know anything about the support methods as he does not like to spend time on something that does not have a direct influence on his main business activities | He had some problems for some time, but quite smoothly changed to the products from friendly states | No, the firm is very small, micro business and low capabilities | No, he relies only on his own assets and he sticks to the current affairs and is quite happy with it | Neutral, as the entrepreneur does not know about it much and he does not really care about it, as he said | Positive attitude, supports the current government activities | Yes, from the friendly states | No, the firm is too small, micro business with 4 people |

#### 2.2.2.2 Conclusion to Russian Entrepreneurs:

* As we may see from the table, the only two respondents that used the government support are not from Saint-Petersburg. It is well-known that Russian people from provinces are more ambitious, which makes them more energetic, so that might be a reason they did not have any fears to face additional challenges by applying for the government support.
* Both females from the target group spoke about personal fears in further extending their business. “It is better to work with current buyers than to face challenges by trying to extend the business”.
* Most of the entrepreneurs, even having the negative attitude towards the external context influence, spoke about positive attitude towards the government and did not put responsibility for this onto the Russian government.
* All of the target entrepreneurs do not have any business or economic education, which may conclude in majority of them desire to stick to current affairs and not to extend further.
* Majority of entrepreneurs believe that getting the government support will make them face the additional challenges, though they have an overall positive attitude that the government tries to support them.
* The only time the support was asked for a certain reason (the entrepreneur №8 lost his firm due to the building went on fire), the entrepreneur was rejected and also lost a court for the insurance.
* Some of the firms do not use the support methods due to being too small, or the entrepreneurs’ personal traits such as fear, reliance only on themselves, or do not having a desire to contact with the government.
* Two entrepreneurs that had received the government support during the Covid, faced drastically different attitude from the government. One of them was inspected and fined, while all the state inspections were banned, another one was not inspected, nor fined.

### 2.2.3 Chinese Entrepreneurs

Now we may move to the Chinese entrepreneurs’ answers. I am going to use the same codes for them.

Entrepreneur №1 (C)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 27 | 4 years | Micro  6 workers | Manufacturer | Guangdong | Male |

Entrepreneur №2 (C)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 24 | 2 years | Medium  50 workers | Advertising | Shanghai | Male |

Entrepreneur №3 (C)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | Experience | Type of Enterprise | Sector | Region | Gender |
| 31 | 7 years | Micro  8 workers | Retail | Chongqing | Male |

#### 2.2.3.1 Results of Analysis

Entrepreneur №1 (C)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Positive, the entrepreneur studied the government support methods, but believes the company is too small to receive any support help | Neutral, these Chinese entrepreneurs do not feel any pressure from the trade war or American sanctions due to not importing or exporting | No government orders | Currently no, no available support for the type of their business activities. However, during the pandemic the government supported them with supplies and rent. | Positive attitude towards government support, the entrepreneur feels that it helps to boost the economy | Positive attitude towards government and was proud to be part of the entrepreneurial system. From my perception I can add that the majority of Chinese have a greatly positive attitude towards their government and their country | Only local suppliers. The entrepreneur produces details for Chinese speed cars, so there is no need in import suppliers | No |

Entrepreneur №2 (C)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Positive, as they plan to extend in future, the entrepreneur studied the possible support methods available | Neutral, these Chinese entrepreneurs do not feel any pressure from the trade war or American sanctions due to not importing or exporting | No government orders | Currently no, but they plan to apply for support methods in future in order to extend the busines further. The entrepreneur believes the business needs time in order to shape the personal’s skills | Positive perception, believes that support methods might be really useful for them in future | Positive | No | No |

Entrepreneur №3 (C)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Awareness | External Context Influence | Connection to the government | State Support Usage | Perception | Emotional state | Import | Export |
| Positive, he studied support methods during the Covid and the recent ones as well | Neutral, these Chinese entrepreneurs do not feel any pressure from the trade war or American sanctions due to not importing or exporting | No government orders | Used the support methods due to “overall poor political and economic situation”. During the pandemic got support, such as rent price decrease for two months and a help with credits payments. | Positive perception, “the government tries to maintain economic growth rates as high as previous years”, thus the help for SMEs might really help it. | Neutral, was not as positive as previous entrepreneurs, but did not complain about the government, was quite concise | No | No |

#### 2.2.3.2 Conclusion to Chinese Entrepreneurs:

* Most of them mentioned that they plan to use the government support later, when they will feel that it is possible for them to expand the business.
* All of the entrepreneurs said that they do not feel any pressure from the American sanctions, possibly due to working only with local suppliers and not exporting abroad.
* All of the entrepreneurs perceive the government support in a positive way and as a boost mechanism for their businesses.
* None of the Chinese entrepreneurs have any business or economic education

## 2.3 Discussion

The results, that I got, correlates with the theoretical framework, thus the different types of factors that influence the entrepreneurs’ perception on the government support are used. All of them such as economic and institutional factors, cultural factor and individual factor influenced on the target group’s perception.

The most intriguing thing that differs the Chinese entrepreneurs and Russian entrepreneurs is the overall attitude towards the government support – in Russia people consider the government support as the “last resort” of help, that they may approach in difficult times, while Chinese entrepreneurs perceive the government support as an instrument to expand their business, boost their performance and try to prepare for the future expand in order to use that government support in the most efficient way. At the same time, we take into consideration that both Chinese and Russian (most of them) entrepreneurs perceive their governments in the positive way.

### 2.3.1 Economic and Institutional factors

There is a support method in Saint-Petersburg region that provides a loan from 50 thousands of rubles to 5 millions of rubles with an interest rate of only 5%, but with a requirement to make a pledge such as equipment or real estate[[115]](#footnote-115). When the target group entrepreneurs were asked whether they would like to use that support method if needed, they answered negatively as they see a pledge requirement as a risk and try to avoid it. However, when I continued with the question, whether they see the problem of using that support instrument in the pledge requirement, most of them answered positively, which concludes that the pledge requirement frightens them as they would better prefer to receive nothing new and not to expand than to lose what they own now. It also correlates with behavioural economy studies that found out that a person feels worse when losing something they own, than losing something they only could get or receive. The Chinese entrepreneurs on the other hand reported about the enabling environment, local suppliers which makes their business activities easier and the future desire to extend and use the government support.

### 2.3.2 Cultural factor

The answers on question, about the example of a real support that the local government of Saint-Petersburg offers, correlate well with the highest uncertainty avoidance that Russian nation has, by Hofstede, and with previous answers of Russian entrepreneurs that they would prefer to avoid risks and challenges by sticking to the current affairs they have. Another point was made that the Russian entrepreneurs do not like to take loans as they think not about how they will use those money today and expand their business, but about how they will pay for those loans in future, which makes those loans less preferable to them. Moreover, the question about the external context influence helped to found out that the majority of Russian entrepreneurs said it was quite easy and fast for them to cope with new challenges with losing Western partners due to the sanctions and to move to new suppliers. Those two points correlates with Hofstede’s cultural code of long-term orientation, where Russia has a flexhumble society (81 point towards long-term orientation). Chinese entrepreneurs’ answers about their future plans to extend their business and that they studied the government support methods to take into consideration the possibility to use those instruments in their later business development correlates well with their cultural codes by Hofstede, the masculinity code. Contrary to the Russian entrepreneurs, they do not want just stick to the current affairs and enjoy the current income they have, but plan to compete for the market opportunities with other firms, thus they see the extension of their business as the only way to maintain their business’s activity and to promote growth of their enterprise and the growth of their incomes. The case of Chinese entrepreneurs differs from the Russian entrepreneurs’ case due to not having so strict sanctions and due to having a lot of different opportunities with their local suppliers. Moreover, due to the cultural difference, Chinese people on average prefer Chinese local products and goods[[116]](#footnote-116), thus promoting the inner trade and boosting the economy and making the money work, while Russian customers still prefer to pay more but to get a Western product[[117]](#footnote-117), as they believe it has a better quality than the local product. This is a very important feature to take into consideration, as demand creates supply. While answering the questions, Chinese entrepreneurs also showed the high interest towards their entrepreneurship activity by not being afraid to start their businesses and they seem to always believe in the bright future and succeeding in the beginnings, which correlates with their cultural code of low uncertainty avoidance. This also differs Chinese entrepreneurs from Russian, while some of the latter mentioned that starting and maintaining their businesses are quite nervous processes for them, and that is also a reason why they do not want to face with new challenges such as extending their businesses.

### 2.3.3 Individual factor

This factor influenced the majority of Russian entrepreneurs’ perception. There was only one positive case of using the government support during the Covid times, but even then, the entrepreneur did not follow with using that support instruments later. In another case, the person who used the pandemic support mechanism was inspected and fined for minor offenses, while all the state inspections were banned by the government. Thus, it made a negative impression on him, making his whole attitude to the government even more negative. Another case of an entrepreneur, who tried to receive the government support to reestablish his business after the building he rent was gone due to the fire, is also a negative one. Not only he was rejected the government support, but he also lost the case in the court trying to receive an insurance. Some entrepreneurs reported positive attitude to the overall government but negative attitude towards government structures while doing business with them and, thus, it made them think more negative about other government institutions as well, which might have influenced why they do not want to use the government support. A few entrepreneurs said about personal fears of facing new unnecessary challenges in extending the business, which also correlates with cultural code of Russian nation such as uncertainty avoidance. One person believed he should maintain his business only on his own assets, and never use any bank loans or support instruments even if he goes bankrupt, because he does not want to be obliged to anyone, but this is more a rare case. Overall every and each of Russian entrepreneurs who participated in the interview reported that they often have difficulties with just maintaining the business.

It seems that the cultural features of Chinese nation and the great support instruments from their government (such as reducing Value-Added Tax to 1% for small and micro enterprises) both play the crucial role in boosting the growth and the performance of the Chinese SMEs. While the Russian cultural features not only restrain the majority of them from starting their own businesses, but the government support instruments do not help as much as they could, and certainly do not promote entrepreneurship among Russian people. Current entrepreneurs are either quite ambitious in their desire to create something on their own, or those who became an entrepreneur by an accident or out of necessity, and the main challenge and obstacle they face is staying profitable and maintaining their business activities with their tax payments only growing while profit staying the same[[118]](#footnote-118). Thus, obviously, those enterprises would only think about how to survive this day, and not about their opportunities tomorrow if they expand their activities. While expanding would solve that issue for some of them, the majority of industries are reported to be fulfilled and the only consumers that exist in the market are already taken and it is too costly and difficult to attract those from the competitors. Russian entrepreneurs face institutional barriers, xenocentrism (the terminology means that a nation prefers the goods of foreign origins) of their compatriots, various high taxes – which in sum creates quite an unfavorable environment for the Russian entrepreneurship to attract new entrepreneurs and to grow as an economic activity. This may be the very reason which lies in the basis why the government support in the Russian Federation is not being used so efficient and being seen as the last resort of help by the majority of them. It also correlates with Meyer’s research that was made in South Africa, where entrepreneurs believed that the support methods of their government are not as efficient as they could have been due to the lack of infrastructure and poor enabling entrepreneurship environment[[119]](#footnote-119).

A diagram of a variety of colored squares

Description automatically generated with medium confidence

Diagram №2

# Conclusion

The work was done by the interviewing the group of Russian and Chinese entrepreneurs, overall there were 13 entrepreneurs who took part in the research, that aimed to clarify factors that influence the entrepreneurs’ perception on the government support towards Small and Medium Enterprises. It indeed was found out that there are several crucial types of factors that have the most influence on the perception of the government support instruments. The first type is the economic and institutional type – the poor enabling environment for the entrepreneurship, high taxes and high interest rates, bureaucracy of government institutions that operate in the economic sector, the unstable business activities of entrepreneurs. The second place the individual type and cultural type shares together as the individual cases are often correlates with the cultural behaviour. For example, the personal fears of many entrepreneurs and the desire to stick to the current affairs and not to face with new challenges of extending the business correlate with the high uncertainty avoidance in the Russian society, by Hofstede. Moreover, local individual cases also have a bigger impact than only on an individual level, as many people often base their attitude towards something on the experience of their colleagues or friends. Thus, the case of a person whose manufacture burnt down, who was rejected of the government support to reestablish the business, was known also by another entrepreneur whose attitude towards the support methods became worse because of it. The only two persons who used the government support to maintain the specific number of workers in the firm during the Covid had different experience. While one of them received the support and it was fine, another one was unexpectedly state inspected and fined for minor offenses. However, the attitude towards the government of the majority of the entrepreneurs was positive, it did not mean they also have a positive attitude towards the government institutions. Many entrepreneurs reported that they stopped doing business with the government structures due to the late payment from the latter and the overall attitude towards the government orders are rather negative than positive.

The Chinese Entrepreneurs on the other hand spoke much about enabling environment in their country and that it is quite easy to maintain the current affairs, and the majority of the entrepreneurs are willing to expand their business in future by using the government support methods, as they offer low interest rates and the small enterprises in general enjoys the low tax rates. Moreover, the Chinese entrepreneurs reported that they feel quite comfortable due to the great logistics and the easy possibilities to find local suppliers in China and cooperate with them. While the majority of Russian companies use the import supplies to produce goods for inner market.

Overall the current findings correlate with the previous studies about the high percentage of rejects[[120]](#footnote-120), difficulties that entrepreneurs face while trying to find the spot and the market for selling the product (unstable business activities)[[121]](#footnote-121), and the initial high interest rate or the pledge. The new findings that are connected to cultural codes of high uncertainty avoidance, the individual characteristics such as fear of extending the business also play a role, while other entrepreneurs did not say straight about their fears, it was seen in their words of “not desiring to face new challenges in order to expand”. Another finding is that the majority of Russian entrepreneurs do not like to take loans due to the cultural specifics of the nation such as the long-term orientation, where the loan seems more as a burden, while the major help from the government consists of loans. The main difference that was found during the research is that the Chinese government always communicate with small, medium and large enterprises while working on their support initiatives and special policies so to keep in touch and to create the most efficient instruments as they capable of, it might correlate with high collectivism culture in Chinese nation. While the Chinese entrepreneurs connect the extending of business with their future opportunities, which correlates with their uncertainty tolerance and masculinity code. The latter in this case means that the Chinese are quite competitive nation and in order to get a good position in the society they try to use any resources available.

## Theoretical Contribution

The culture plays a huge role in our daily life, and even individual traits may be based on the culture. The findings that this work provides with are the poor enabling entrepreneurship environment, a cultural aspect of the Russian nation in the high uncertainty avoidance, xenocentrism of Russian people, that partly blocks the demand for the domestic goods; a long-term orientation code helps us to identify why Russians do not like to use loans and they see it as a burden. Overall, the target group of Russian entrepreneurs proved the previous results once again, while many of them were made six and less years ago, which leads to the conclusion that not many things changed in the entrepreneurship environment in Russia, and there yet to be a lot of work on it. But also, the cultural aspects make us think about changing the behaviour of people as those who play active role in the economy from the school or university, to cultivate an entrepreneurship spirit.

### Limitations

There are a few limitations in the research that was made due to the small number of Chinese entrepreneurs, and the majority of Russian entrepreneurs are manufactures. I did not take IT industry, while it has a lot of support mechanisms from the government, their case is more unique and, from my perspective, should be studied separately from other industries. Another limitation might be that among the target group there no one with the finance or business education and the average age of those Russian entrepreneurs is 45, while the average age of the Chinese entrepreneurs is around 25.

## Policy Implications

Though the Awareness code is almost always positive in the data analysis section, the majority of entrepreneurs know only that the government support “exist” but they did not study it in details, and I believe it might be changed only if there will be a specialist who will inform them in details not only about the existing support, but the suitable one for their firm as well. As the government already has special business seminars to educate entrepreneurs, it seems the problem lies deeper. If we look deeper in the case of China and those answers of Chinese entrepreneurs from the target group, we may see that the entrepreneurial spirit they get from the enabling environment with favourable conditions. In the case of Russia, when the help exists but no one even in the critical situation wants to use it, can mean that the environment itself is not enabling enough or the support mechanisms are not the right ones. In China loans exist as a boost mechanism for firm’s extension, but they maintain well due to another instrument – various tax reductions. Entrepreneurs do not want to take loans; they want tax reductions and the stable business activity in the first place. It seems the work should be done with the tax legal system in order to create a more favourable realistic conditions and to increase the efficiency of the government institutions. The market should be changed to favour the domestic goods, as we also see from the Chinese experience, and it can be done by promoting the quality of local products, and in the modern times the instrument is government influencers’ and celebrities’ advertisements. The advertisements should mention that the product is locally made and the nation should be educated why the domestic goods are better and more preferrable. What about support mechanism, as we can see from the target group and the previous researches, the probability to get that support is quite low. Due to the high percentage of rejects and the complexity of applying for the government support, it should be analyzed whether the government support is used efficiently or not.

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# Appendix

Russian Entrepreneurs only:

The first round of the interview:

1. Как долго вы работаете предпринимателем  
2. Какая ваша отрасль, сектор  
3. Какой величины у вас бизнес (микро, малый, средний)  
4. Сколько сотрудников в организации?  
5. Планируете ли вы расширяться?  
6. Продаете ли вы на экспорт?  
7. Есть ли у вашего предприятия зависимость от импортных товаров?  
8. Возникли ли у вас трудности в бизнесе после введения санкций?  
9. Взаимодействует ли ваш бизнес с государством? (Гос. заказы)  
10. Изучали ли вы методы гос поддержки для своей отрасли, своего региона и тд?  
11. Пользовались, пользуетесь или планируете ли пользоваться методами гос поддержки  
12. (а) Если да, то для чего и какими методами именно? С какими трудностями вы столкнулись при оформлении?  
12. (б) Если нет, с чем это связано? (высокая процентная ставка, недоверие к государству, сложность отчетности)  
13. Помогало ли вам государство в ковид, при прирордных катаклизмах? Если да, то как именно?

1. How long have you been an entrepreneur?
2. What is your industry, sector?
3. What size is your business? (micro, small, medium)
4. How many employees are there in the organization?
5. Do you plan to expand?
6. Do you sell for export?
7. Does your enterprise depend on imported goods?
8. Have you encountered any difficulties in business after the introduction of Western sanctions?
9. Does your business interact with the government? (Government orders)
10. Have you studied government support methods for your industry, your region, etc.?
11. Have you used, are you using, or are you planning to use government support methods?
12. (a) If yes, then for what purpose and by what methods exactly? What difficulties did you encounter during registration?
13. (b) If not, what is the reason? (high interest rate, distrust of the state, complexity of reporting)
14. Did the state help you during Covid, during natural disasters? If so, how exactly?

Second round of the interview:

1. Почему вы не хотите расширяться? Связано ли это с текущим экономическим положением и давлением со стороны Запада?  
2. Что вы думаете о гос. проверках? Чувствуете ли вы что государство «одной рукой помогает, а другой мешает»? Считаете ли, что спокойнее справиться самим, без господдержки?  
3. Что в вашем опыте вам показалось самым полезном. Самые большие ошибки или прорывы и почему они получились  
4. Как вы справились с импортозамещением? Параллельный импорт, переход на отечественную продукцию, или импорт из дружественных стран

1. Why don't you want to expand? Is this related to the current economic situation and pressure from the West?
2. What do you think about the state checks? Do you feel that the state “helps with one hand and hinders with the other”? Do you think it’s safer to cope on your own, without government support?
3. What did you find most useful in your experience? The biggest mistakes or breakthroughs and why they happened
4. How did you deal with import substitution? Parallel imports, switching to domestic products, or imports from friendly countries
5. Question about whether the entrepreneur would like to use the specific regional help (Saint-Petersburg only)

Chinese Entrepreneurs only:

1. How long have you been an entrepreneur? 您成为企业家多久了？
2. What is your industry, sector? 您的行业是什么？
3. What size is your business? (micro, small, medium) 您的企业规模有多大？(微型、小型、中型）
4. How many employees are there in the organization? 企业有多少员工？
5. Do you plan to expand? 您是否计划扩大规模？
6. Do you sell for export? 有出口销售吗？
7. Does your enterprise depend on imported goods? 贵企业是否依赖进口商品？
8. Does your business interact with the government? (Government orders) 贵企业是否与国家合作？(国家订货）
9. Have you studied government support methods for your industry, your region, etc.? 您是否研究过国家对您所在行业、地区等的支持方式？
10. Have you used, are you using, or are you planning to use government support methods? 您是否使用过、正在使用或计划使用国家支持方法？
11. (a) If yes, then for what purpose and by what methods exactly? What difficulties did you encounter during registration? 如果是，原因和具体方法是什么？在注册过程中，您遇到了哪些困难？
12. (b) If not, what is the reason? (high interest rate, distrust of the state, complexity of reporting) 如果没有，原因是什么？(利率很高、对国家的不信任、报告的复杂性）
13. Did the state help you during Covid, during natural disasters? If so, how exactly? 在冠状病毒病时，国家是否帮助过您？如果有，具体是如何帮助的？

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