

## The Experience of Advanced Foreign Countries in Effective Investment of Small Business Entities

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One of the main ways of economic development to ensure crisis-free development of the national economy in the conditions of the market economy is to study innovative achievements in the production process of foreign developed countries and to study and apply their experiences to production in order to ensure the development of small production enterprises of the national economy. In this direction, while studying the experiences of the countries of the European Union, the innovative development in the Italian industry is mainly based on the production of products that meet the creative requirements based on the application of new production technologies that can meet the demands of the new market and innovative models that can meet the requirements of the new era.

In the development of small and medium-sized entrepreneurship production enterprises in the countries of the European Union, based on the directions of their economic sector and the requirements of the consumer markets, the organization of the production process of innovative products and, as a result, the prevention of unemployment, the provision of labor resources with jobs, necessary to ensure the social development they believe that it is possible to create conditions.

Much attention is paid to the development of small and medium-sized businesses in Italy, as in the countries of the European Union.

77% of small business owners consider their business to be effective. Small business is a productive business<sup>1</sup> that by 2016, their fractures in the EU countries have decreased to 3321 or 700 compared to last year 2014<sup>2</sup> are represented by

According to the statistical data of the Economic Development Organization, 60-70% of workers are employed at the expense of small and medium-sized enterprises. This employment situation is mainly due to small and medium-sized enterprises operating continuously, such as can be seen in the steadily developing countries of Italy and Japan. In addition to these two countries, the provision of new jobs by all small and medium-sized enterprises can be seen in the example of the United States.

In 2018, 99.9% of US businesses are small businesses<sup>3</sup>. The SBA also reports that small businesses accounted for nearly 44 percent of US GDP in 2014<sup>4</sup>.

Although this is actually a declining share of GDP since the 90s, SMEs remain an important aspect of economic growth, innovation and diversity.

What are the conditions of the countries for opening small and medium-sized production business enterprises? Based on the rating created on the basis of 189 requirements developed by the

<sup>1</sup>[http://ec.europa.eu/Eurostat/statistics-explained/index.php/Statistics\\_on\\_small\\_and\\_medium-sized\\_enterprises](http://ec.europa.eu/Eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises)

<sup>2</sup><http://www.worldbank.org/eca/russian>

<sup>3</sup> Small Business Administration, Office of Advocacy. "[2018 Small Business Profile](#)," Page 1. Accessed June 29, 2020.

<sup>4</sup> Small Business Administration, Office of Advocacy. "[Advocacy Releases' Small Business GDP, 1998–2014](#)." Accessed June 29, 2020.

"Economic Development Organization", the conditions for small business in the countries were taken into account.<sup>5</sup>:

Since 2003, the World Bank has studied the conditions for conducting business activities in the above-mentioned 189 countries, and based on a deep economic and social analysis, each country's reports on the organization and conduct of business are published. In the report, in 189 countries, small and medium entrepreneurship organization, development, achievements and shortcomings are identified, it is determined to eliminate it and create the necessary conditions for their development.<sup>6</sup>.

In the 2016 report of the World Bank, in the report of the control group that worked on the regulation of the management of small and medium-sized enterprises, the results of the rating carried out on the extent to which they encourage the development of small and medium-sized enterprises and meet the requirements for the conditions for conducting entrepreneurship it is possible to determine whether they are effective or ineffective based on economic analysis of small and medium production enterprises.

In the countries of the members of the economic union, reducing the costs of administrative management related to the establishment and management of business in general is defined as the main issue.

This together with the costs, a lot of time was spent not only on collecting various documents, but also on the registration of the enterprise when establishing and registering a small and medium-sized production enterprise. In 45 of the 189 countries that are members of the economic union, the collection of relevant documents related to the opening of a private enterprise business and the reduction of unnecessary overtime have been implemented.

The Ministry of Economic Development of Italy promotes the economic development of small and medium-sized businesses by the state in cooperation with the regional associations and federations operating with the general association of Italian industry "Confindustria". At the same time, the Italian "SACE export credit insurance and SIMEST" (for the release of Italian foreign investment funds to foreign countries) closely support small and medium-sized business activities.

Although the economic policy of the Italian state is effective in the development of small and medium-sized enterprises, it economically helps them to develop their activities., from which tax relief is not applied. All enterprises of the country, including small and medium enterprises, are taxed only at the national level. Businesses are taxed at the regional and local levels.

Benefits for small and medium-sized enterprises are not primarily financial, but also benefits from the purchase of equipment.

In conclusion, it can be said that the Italian state provides financial support to small and medium-sized enterprises mainly in obtaining loans, establishing new small and medium-sized enterprises, and mastering new innovative production techniques and technologies. 1.0 mln. can get a preferential loan of lira. Or, for the purchase of equipment and technologies, for the expenses related to the purchase and bringing to the country of the equipment necessary for this production, a loan of 3 mln. based on bills issued by special banks. 5 million lira. is given up to lira.

In 1991, Italian Law No. 317 "On Support for Participation in International Tenders" was adopted for the purpose of innovative development of small business entities.<sup>7</sup> Pursuant to the law, organizational and financial support for the purchase of new production technologies and granting loans and receiving preferential loans on the basis of non-repayment conditions are in the following directions, namely:

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<sup>5</sup><http://russian.doingbusiness.org/rankings>

<sup>6</sup><http://russian.doingbizness.org/rankings>

<sup>7</sup> Who's who in Italy - Chasti 1-3 - Stranica 2308 Act No. 317/1991 of the Italian State

- Purchase of high production equipment, equipment and technologies;
- Acquisition of practical programs and documents related to increasing labor productivity in new production "know-how" technologies;
- Establishment of a consortium aimed at improving service delivery to small and medium-sized enterprises;
- Concessions are given for the implementation of ITTKI works related to small business and medium production enterprises.

Preferential for the establishment of small and medium-sized enterprises, expansion of their activities, modernization, revision, change of production lines, implementation of changes in the directions of territories, holding a consortium for the inclusion of small and medium-sized business enterprises at the level of the economic region, and ensuring the need for capital expenditures lending is established. The percentage of consortium formation and lending in southern regions is 30%, in developed regions it is 60%. Sometimes it can increase to 80% of the loan capital. In other economic zones, they can pay up to 60% interest.

In order to modernize the production process, the loan is mainly used for the purchase of equipment, automated technological lines, the purchase of patents and licenses, the necessary equipment for the laboratory, the establishment of enterprise design bureaus, and 70% coverage of investment costs for seven years without negative impact on the environment. 23.0% preferential loan is allocated up to lira. Available in Italy based on LAW 598/94 INTEREST SUBSIDIES OF 1994<sup>8</sup>.

In France, small and medium-sized enterprises take advantage of tax credits for the development of ITTKI's research work.

In France, starting from 2014, 30-40% of the innovation credit tax has a privilege for the development of the ITTKI direction. Enterprises with the status of young innovative enterprises have been established by the state. In particular, it is determined that what kind of enterprises will be small and medium-sized enterprises, innovative funds spent on ITTKI scientific research, more than 15% of its total costs, and 50% of the funds allocated for general development should belong to individuals. 9,700 of the young innovative companies established in France in one year have benefited from the above benefits. The development of small and medium-sized enterprises is managed by the General Directorate, established by the French Ministry of Industrial Economy and Digital Technology. Currently, 34 projects are being implemented on the basis of the "Smart Technical Flat" production project in order to organize high-tech production under the slogan "New Industrial France".

In order to create new jobs for small and medium-sized enterprises, the French government will allocate funds to increase the professional skills of the workforce employed in production and create additional jobs in two ways, adopted by the EU Commission. The state also allocates funds for the protection of the environment. Small and medium-sized enterprises will be given financial aid in the form of rehabilitation when production enterprises are in a difficult economic situation. The French state constantly supports small and medium-sized enterprises to develop their foreign economic activities. In the Republic of Germany, small and medium-sized enterprises are always supported from a legal, economic and social point of view.

In the Republic of Germany, small and medium-sized enterprises are firstly improved on the basis of the requirements for granting them tax benefits. Financial assistance is given to citizens of the country who want to engage in small and medium production, especially unemployed workers. Allocating innovation funds related to the development of innovative activities to the manufacturing enterprises engaged in small and medium-sized business activities for the implementation of the goals of developing the production process or the use of new production

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<sup>8</sup><https://www.federalregister.gov/documents/2000/08/08/00-19948/certain-pasta-from-italy-preliminary-results-and-partial-rescission-of-countervailing-duty>

equipment, techniques and technologies in an innovative way, and the implementation by the state of these enterprises it also helps closely by drawing up quotas on the necessary means of production, equipment and products, that is, contracts by the state.

The state has established small and medium-sized business entrepreneurship offices to provide them with the necessary information, organize special training courses for employees, and provide advice on the proper organization and management of their activities.

In the Republic of Germany, it is of great importance to implement the necessary measures for the effective use of the production resources of the state and economic regions, where the development of small and medium business entrepreneurship is organized at the level of regional and local authorities. Enterprises engaged in micro and small and medium-sized business activities in Germany are established on the basis of EU criteria adopted in 2003<sup>9</sup>.

Micro-enterprises are defined as having less than 10 people employed in their production, and 10 to 49 people in small enterprises, and 50 to 249 people in medium-sized enterprises.<sup>10</sup> The annual volume of work of micro-firms is 2 mln. EUR, and in small enterprises - 10 million. euro, and in medium-sized enterprises, the annual turnover should not exceed 50 million euros or the balance sheet total should not exceed 43 million euros (Commission recommendation of May 6, 2003). The policy of the European Commission in relation to small and medium-sized businesses is mainly concentrated in five priority areas, which include:

- development of entrepreneurial skills;
- improving access to markets for small and medium-sized enterprises;
- cutting the red ribbon;
- increase the development potential of small and medium-sized enterprises;
- Strengthen communication and consultation with SME stakeholders<sup>11</sup>.

Based on this, the employment of the main production subjects receiving economic support from the state should be less than 250 in the state-supported enterprises.

In Germany, government financial support for micro-enterprises and small and medium-sized enterprises is differentiated.

For micro-enterprises, additional financial measures are established for their development. There are 545,000 enterprises in Germany, and each of them experiences a crisis of 15% on average. In Germany, until 2015, an average of 30-40 thousand new enterprises were established every year. At the same time, 98% of enterprises are micro-enterprises, small and medium-sized enterprises. They provide 50% of total employment and 25% of the country's turnover.

Production in Germany is mainly in the form of sole proprietorships, 2,293,400 in partnership management companies, 453,700 in limited liability companies, 666,200 in joint-stock companies, and 216,300 in various organizational forms. 3,629,700 enterprises operate in the Republic of Germany, 65% of them are small business entities and 18% are based on the capital of the economic society. The Republic of Germany ranks first in the European Union in the establishment of new enterprises for the organization of the production process. In Germany, at the level of federal and state municipalities, great attention is paid to constantly improving the organization of enterprises, their legal levels and tax payments. They conduct their activities on the basis of developed special programs. Based on federal laws, sole proprietorships are exempted from creating a production balance sheet and publishing an annual report. If the income of individual enterprises is less than 60,000 euros per month and 600,000 euros per year, they are

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<sup>9</sup>361 pages ES

<sup>10</sup>[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Enterprise\\_size](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Enterprise_size)

<sup>11</sup><https://ec.europa.eu/eurostat/web/structural-business-statistics/small-and-medium-sized-enterprises>

exempted from drawing up a balance sheet, that is, drawing up an expense and income balance sheet.

1.3 million in Germany. people are engaged in work activities independently. 0.7 million medical workers are mainly employed in this field. person or 30%, consulting lawyers 27% and 23% in the fields of culture and art and 18% in the field of technology.

In the development of small and medium-sized business activities, lending at the federal level at preferential interest rates is set at the level of 50% of the risk associated with lending to enterprises under 25 million euros. If it is at the level of 1-7% for enterprises, these enterprises will be exempted from loan payments for up to 2 years, and the loan will be granted to them for up to 10 years. In Germany, fixed fees for loans to micro-enterprises, small and medium-sized businesses are among the lowest in the European Union. Self-employed entrepreneurs are given a 10-year concession to get a loan. 80% of the risk prevention related to the production of banks is assumed by the bank for economic recovery (KfW). 20% will be covered by the bank providing the service.

The country of Great Britain was in its place in 2017 in terms of gross domestic product and industrial production. Finance accounts for 27.7% of GDP. Its share in world exports is 10%.

In Great Britain, the activity of small business entities is the main subject of economic development. Small business creates a competitive environment that plays an important role in the development of the national economy. In order to ensure the stable development of the economy, efforts are made by the state to support small business activities. For example, in Great Britain, they create terms and conditions based on their own specially adopted concept for the development of small businesses.

The International Finance Corporation of the World Bank "based on the analysis of 189 countries for doing business in 2017, Great Britain took the 7th place in terms of establishing and conducting a small business"<sup>12</sup>.

54% of the employment in the production process, 50.2% of the gross domestic product production, and 96.6% of the production enterprises were accounted for by small and medium enterprises.<sup>13</sup>

In Great Britain, since April 2000, a special organization of the Small Business Service has been created, which is a service department of the Ministry of Trade and Industry. Its main tasks are:

- improving the state policy in the organization and development of small and medium-sized enterprises;
- support of the interest of small and medium business activities by the government;
- prevention of obstacles to the development of small and medium-sized enterprises;
- economic analysis of the development of small and medium enterprises and improvement of their development programs.

Currently, the "Small Business Council" is operating in this country. It is an independent organization that provides advice to small and medium-sized businesses and provides feedback to the Secretary of State for Industry and Trade to improve and make government decisions more effective.

<sup>12</sup>Исследование Всемирного банка: ведение бизнеса в 2017 году // Центр гаминатирных технологий.URL: <http://gtmarket.ru/news/2016/10/26/7312>

<sup>13</sup>Chuprin Dmitry Aleksandrovich Opyt Velikobritanii v gosudarstvennoy podderzhke malogo biznesa // Concept. 2018. No. 11. URL: <https://cyberleninka.ru/article/n/opyt-velikobritanii-v-gosudarstvennoy-podderzhke-malogo-biznesa> (data obrashcheniya: 27.06.2021).(Development and support of small and medium enterprises in the Russian Federation. Doklad Minekonomika razviti Rossijskoy Federatsii na 12 zezedanii Konsultativnogo soveta po podderjke i razvitya malogo predprinimatelstva v gosudarstvennyx uchastnikov stran SNG.Moskva 26.10.2017 URL <http://www.smb.gov.ru>)



Every year, the Small Business Council publishes an annual report on its activities. This council provides recommendations and suggestions for further development of small business activities. The Small Business Council will exempt small businesses with working capital of up to 500,000 pounds from some requirements of the audit, and improve the payment forms for small businesses. Under the government's program, 6.0 billion pounds will be allocated to finance small businesses.

70% to 85% of loans to small business enterprises are guaranteed by the state.

Small business service organization provides financing of small business, financing of innovative projects, organization of venture capital at the regional level, attraction of investors helping small and medium enterprises, support of their export industries.

Great Britain Since 1996, a special "Business Link" network serving small businesses has been established. The main task of this organization is to provide advice over the phone. Providing individual advice and technical assistance to specialized small and micro-enterprises for the introduction of products and techniques for the production of innovative products and techniques, the commission necessary for small and medium-sized enterprises, establishing relations with enterprises that supply production equipment and entering the foreign market organize close support. UK regional development RD-agency, which started its activities in 2014, mainly provides services for the development of infrastructure activities in small and medium-sized business activities. 8.2 billion per year to prevent obstacles that have a negative impact on the development of small and medium enterprises. costs pounds sterling<sup>14</sup>.

Since 2007, a special group "Using economic efficiency of small business" has been established in the country. Its main task is aimed at improving the qualitative and economic evaluation of the economic results of small and medium-sized enterprises by the state. Implementation of measures by the state to ensure the economic efficiency of small and medium production enterprises is ensured. As a result of the state policy on the development of small and medium-sized enterprises implemented by the state, the annual economic efficiency is 1.4 billion pounds based on the program implemented at the regional level (B22PC The Business Support Simplification Program)<sup>15</sup>.

In Southeast Asia, China, Korea, and India's experience of supporting small and medium-sized production activities by the states has its own characteristics and requires its study.

The state pays great attention to the development of small business activities in China.

In this economic direction, it is mainly aimed at attracting investment funds and extending credit for the development of small business activities.

The state regulates the development of the production direction of small business entities by ensuring the stable development of laws adopted based on the requirements of consumer markets and improving the taxation of small business entities. The economic and social policy of the state is planned and managed by the "Governing House" and the "Council for Economic Planning and Development" of the People's Republic of China. Organizations managing small business entities are at the disposal of the Ministry of Economy of the People's Republic of China and are implemented on the basis of the administrative management of small and medium-sized businesses.

Based on the innovative program of the republic, by allocating large investment funds to the development of research and development, to modernize production technologies in an innovative way, to increase their economic development capabilities based on the implementation of innovative diversification, and to increase their export potential and import requirements in exchange for the release of innovative consumer products to foreign consumer markets. aimed at reducing

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<sup>14</sup><http://www.berr.gov.uk/files/file42813.pdf>

<sup>15</sup><http://www.bis.gov.uk/policies/enterprise-and-business-support>

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