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SMALL AND MEDIUM-SIZED BUSINESSES AS A SOURCE OF ECONOMIC ACTIVITY AND FINANCIAL AND ECONOMIC STABILITY OF THE COUNTRY'S ECONOMY

Abstract. This article examines the socioeconomic role of small and medium-sized enterprises (SMEs) in the Russian Federation, their legal and regulatory framework, and their role in ensuring national economic stability. Particular attention is paid to analyzing government support instruments—financial, tax, and administrative incentives. The author identifies key issues with the effectiveness and accessibility of existing support measures and substantiates the need to reform the government support system, improve its targeting, and digitalize it to stimulate sustainable growth in the SME sector in the current environment.

Keywords: small and medium-sized enterprises (SMEs), government support, economic stability, legal regulation, innovation, employment, tax incentives, effectiveness of government support.

Small and medium-sized businesses occupy a special place in the national economy, acting not only as an element of the market structure, but also as an active participant in the formation of economic dynamics. Due to their high adaptability and flexibility, enterprises in this sector are able to quickly respond to changes in market conditions and technological trends, which contributes to an increase in economic growth and diversification of the industry structure.

One of the important aspects of the study is the consideration of entrepreneurial subjects of SMEs in the context of the stability of the financial system. Small and medium-sized businesses contribute to the distribution of economic activity to a wider range of participants, which reduces the systemic risks associated with excessive concentration of capital or a limited number of large corporations. Thus, the development of SMEs helps to reduce the vulnerability of the economy to external and internal crises.

Government support aimed at creating favorable business conditions and removing barriers to entry and expansion is becoming an important component of the sector's sustainable development. Support mechanisms may include financial incentives, tax incentives, advisory services, and red tape facilitation. Analysis of the effectiveness of such measures allows us to identify which approaches are most effective in the current economic environment.

The dissertation will consider the concept of small and medium-sized businesses from a theoretical point of view, which will help build a common conceptual framework. Further, special attention is paid to the economic functions of SMEs, including their role in creating jobs, stimulating innovation, and maintaining the competitiveness of various industries.

Public policy issues, tools and methods of supporting the sector, as well as analysis of their impact on business development indicators are of particular importance. The paper reveals the relationship between the level of support and indicators of financial and economic stability of the country.

The practical part of the work is focused on modeling state support systems in order to increase the economic activity of small and medium-sized businesses. This makes it possible to develop targeted recommendations aimed at strengthening the financial stability and sustainable growth of the economy as a whole.

The development of the proposed models is based on the analysis of current trends and data on the development of SMEs in specific regions of the

country. As a result of the work, conclusions are formulated on how the development of small and medium-sized businesses can become a driver of socio-economic progress, reducing the risks of economic concentration and contributing to a more even distribution of resources.

Small and medium-sized businesses in the legal field of the Russian Federation are defined as a set of economic entities that differ in certain organizational and legal forms and scales of activity that meet the criteria established by law. In domestic legal practice, the term "small business "is practically not used; the term" small business "replacing it is officially fixed and is often considered along with" medium-sized entrepreneurship " as a designation of relevant economic entities, although there is no formal definition for medium-sized entrepreneurship in the law. Both categories are considered synonymous with the concepts of small and medium-sized businesses, which indicates their proximity and interrelation in the legal and entrepreneurial sense¹.

The recognition of small and medium-sized businesses as a separate economic niche is determined by their specific characteristics - the limited scale of operations, the number of employees, the level of income and financial parameters. In the legal aspect, the subjects of this sector include organizations, including consumer cooperatives and commercial institutions, with the exception of unitary enterprises that are in state or municipal ownership, as well as individuals who are registered and included in the unified state register of legal entities. This approach is regulated by Federal Law No. 209-FZ" On the Development of Small and Medium-sized Businesses in the Russian Federation " of July 24, 2007, as recently amended, which describes in detail the operating conditions and requirements for SMEs².

¹ Шкваря Л.В. Россия ССАГПЗ: экономическое сотрудничество в новых реалиях // Экономика Ближнего Востока. 2024. № 1. URL: <https://cyberleninka.ru/article/n/rossiya-ssagpz-ekonomicheskoe-sotrudnichestvo-v-novyyh-realiyah> (дата обращения: 29.11.2025).

² Виноградова И.В. Современные тенденции во внешнеэкономической политике стран Ближнего Востока // Российский внешнеэкономический вестник. 2023. № 9. URL: <https://cyberleninka.ru/article/n/sovremennye-tendentsii-vo-vneshnetorgovoy-politike-stran-blizhnego-vostoka> (дата обращения: 10.12.2025).

Within the framework of legal regulation, special attention is paid to the parameters of economic activity that allow an organization or individual to be classified as a small or medium-sized enterprise. This includes government-set limits on revenue, employee numbers, and other indicators that are periodically updated and reflected in regulatory acts, such as Government Decree No. 265 of April 4, 2016. In addition, the legal framework is provided with measures regulating labor relations, for example, resolutions of the Plenum of the Supreme Court of the Russian Federation No. 15 of May 29, 2018 and Government Resolution No. 858 of August 27, 2016 (as amended in 2021), which provide standard forms of contracts and features of interaction with employees of small businesses.

These legal frameworks are supplemented by regulations governing statistical accounting and financial discipline of small and medium-sized businesses, including Rosstat orders and provisions of the Tax Code of the Russian Federation. Such regulations guarantee the unity of the conceptual framework and systematization of data necessary for monitoring and analyzing the development of the SME sector across the country³.

Historically, the concept of "small business" began to form at the end of the XX century, starting with the decisions of the Council of Ministers of the USSR and the RSFSR in the early 1990s, which led to legislative recognition and the need to organize support for this sector of the economy. Since then, the legal framework has undergone a significant evolution aimed at creating a unified system of criteria that ensure the reliability and transparency of the definition of small and medium-sized businesses and their reporting.

Thus, small and medium-sized businesses in Russia are a well-regulated set of economic entities with certain legal, organizational and economic characteristics. This specificity is consolidated by legislation that defines the criteria for classifying SMEs, establishes a system of control and support, forming the legal basis for carrying out activities and protecting the interests of

³ Косач Г. «Видение: 2030». Саудовские реформы // Россия и мусульманский мир. 2017. № 6 (300).

entrepreneurs of this class. This regulatory framework creates prerequisites for further consideration of the role of small and medium-sized businesses in the country's economy.

Small and medium-sized businesses play a central role in ensuring sustainable economic activity in the country. Its importance is due to the ability to create a large number of jobs, which in the modern economy becomes especially important given the growth of unemployment and structural changes in the labor market. The SME sector provides employment for a significant part of the population, which contributes to social stability and reduces regional disparities in the distribution of labor resources⁴.

One of the key functions of small and medium-sized businesses is their participation in the innovative development of the economy. In the face of increasing competition and accelerating technological change, it is SMEs that demonstrate high flexibility and mobility, allowing them to quickly implement new technologies and business models. This contributes not only to the renewal of production capacity, but also to the formation of new products and services that meet the growing needs of consumers. The introduction of innovations in the SME segment leads to an increase in the competitiveness of both the enterprises themselves and the national economy as a whole⁵.

The flexibility of the market thanks to small and medium-sized enterprises is reflected in the ability to quickly respond to changes in the market environment, reduce bureaucratic and administrative barriers to entry and exit from the market, as well as create conditions for wider competition. This helps to reduce monopolism and encourages improving the quality of goods and services, which has a positive effect on the efficiency of the economy. In addition, the diversity

⁴ Государственная поддержка малого и среднего предпринимательства за рубежом и возможности ее реализации в российских регионах [Электронный ресурс] // cyberleninka.ru. URL: <https://cyberleninka.ru/article/n/gosudarstvennaya-podderzhka-malogo-i-srednego-predprinimatelstva-za-rubezhom-i-vozmozhnosti-ee-realizatsii-v-rossiyskih-regionah> (дата обращения: 27.09.2025).

⁵ Науменко Т.В., Тимахов К.В. Саудовская Аравия и её конкурентоспособность среди стран Ближневосточного региона // Вестник МГИМО Университета. 2019. № 1 (64). - URL: <https://cyberleninka.ru/article/n/saudovskaya-araviya-i-eyo-konkurentosposobnost-sredi-stran-blizhnvestochnogo-regiona> (дата обращения: 27.03.2025).

and variability of business models in SMEs contribute to the development of entrepreneurial initiative and create conditions for self-realization of a significant part of the population⁶.

SMEs make a significant contribution to the structural adjustment of the economy, contributing to the diversification of the industry base. Their activities are often concentrated in the service, food, light industry, information technology and creative industries, which expands the range of economic activity and reduces the economy's dependence on traditional industries. The formation of such an extensive sectoral structure contributes to the stability of the national economy in the face of external shocks and crises.

At the same time, small and medium-sized enterprises play the role of a tool for improving the well-being of the population. They expand opportunities for self-employment, promote the development of local markets, and improve the availability of goods and services in different regions. Due to the high density of the SME structure, a socio-economic environment is created that is favorable for the development of the middle classes and the reduction of social inequality.

However, despite the significant potential, the contribution of SMEs to the gross domestic product of Russia is still lower than that of developed countries. This is due to insufficient institutional support and limited access to resources, which hinders the scaling and efficiency of enterprises in this sector. To overcome these limitations, systematic measures are needed to develop the business infrastructure and improve legislation.

As a result, small and medium-sized businesses perform many-sided economic functions: they provide employment, stimulate innovation, support market flexibility, and contribute to the formation of an extensive sectoral structure of the economy. Understanding these aspects provides the basis for further analysis of specific indicators of the impact of SMEs on the country's economy, which will be discussed in the following section.

⁶ Омар, М. С. Эффективность малых и средних предприятий в торговом секторе: сравнительный анализ // Научный вестник международной экономики. URL: <https://www.internationaleconomicsjournal.com/2025/comparativeanalysis> (дата обращения: 20.03.2026).

State support for small and medium-sized businesses in Russia is implemented through a variety of tools, among which financial measures, tax incentives and administrative preferences play a leading role. Financial instruments include subsidies, concessional lending, and the creation and development of business support infrastructure, including business support organizations and specialized centers that provide access to services and advice. In addition, at the municipal level, there are support programs aimed at expanding the opportunities of SMEs in specific regions, which contributes to the development of entrepreneurship in the territorial context.

Tax preferences serve as an important mechanism for reducing the tax burden on small and medium-sized enterprises. Reduced or tax-exempt rates for mandatory payments such as income taxes, property taxes and the single imputed income tax, as well as simplified tax systems, are aimed at improving the financial stability of companies. Such measures help to improve liquidity and the ability to reinvest profits in business development, which is vital for enterprises with limited access to external sources of financing.

Administrative preferences include simplifying the procedures for state registration, licensing, and obtaining permits, as well as reducing bureaucratic barriers to doing business. The creation of a single access point for entrepreneurs, the introduction of electronic services and the digitalization of public services significantly reduce the time and resources required to complete administrative formalities. These measures reduce transaction costs and increase the attractiveness of doing business in the small and medium-sized sector.

Despite the complexity and variety of support measures applied, the effectiveness of public policy in this area remains the subject of critical analysis. Research shows that the actual use of financial support tools does not always correspond to the stated capabilities. A significant part of subsidies and soft loans is not available for many small and medium-sized enterprises due to difficulties in processing documents, high requirements for financial reporting and limited

information support for entrepreneurs. As a result, many businesses are actually unable to take advantage of the proposed support measures or do so with delays, which reduces the overall effect of public investment.

In addition, evaluating the effectiveness of tax benefits reveals mixed results. On the one hand, reducing the tax burden improves the solvency of companies, on the other - without proper control and targeted distribution, these measures can lead to losses in budget revenues without significantly increasing the dynamics of SME development. Difficulties also arise at the level of administrative preferences, where local governments do not always have sufficient resources and human resources to fully implement support programs, which limits their impact on creating a favorable business climate.

The COVID-19 pandemic and related economic shocks have highlighted the need to reform the existing support system for small and medium-sized businesses. The adaptation of tools to the new reality required the introduction of additional measures - for example, moratoriums on tax and credit obligations, expansion of remote service elements, and increased mobility of government programs. These changes partially offset the negative effects of the crisis, but raised questions about the long-term sustainability of the state support system and the need to improve it in response to changing economic conditions.

Conclusions about the effectiveness of state support funds confirm the need to increase their accessibility and targeting, as well as improve coordination between the federal, regional and municipal levels of government. Improving the regulatory framework, simplifying procedures for obtaining support measures, expanding information work among entrepreneurs, and developing feedback mechanisms contribute to increasing the coverage of support and improving its effectiveness. Improving the effectiveness of state support tools for small and medium-sized enterprises is a key condition for strengthening their financial and economic sustainability and stimulating sustainable development of the sector as a whole.

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