

Institutional Approaches to Support Entrepreneurship in Global Economic Crisis

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Abstract - The main provisions of the concept of anti-crisis support for entrepreneurship in Russia are considered by analyzing the factors of political and economic stability of the national economy. An institutional approach to providing state support for entrepreneurship in the context of the global economic crisis and other external factors that negatively affect the national economy is proposed, and possible risks for regional economies are identified.

Keywords - Institutional Approach, Entrepreneurship, Economic Crisis, Sustainable Development, Pandemic (COVID-19).

I. INTRODUCTION

Entrepreneurship in modern conditions is the most important factor stimulating the socioeconomic development of the Russian Federation regions. Only with the full support of the state, entrepreneurship will be able to complete the formation of a system of institutional support - a favorable institutional environment, including the relevant institutions and the mechanism of their functioning.

Despite the ongoing large-scale work and the presence of certain achievements, the problem of creating an institutional environment favorable for the development of entrepreneurship remains relevant. Currently formed multilevel support system is not fully effective. The main argument in favor of this statement is the prevalence of "manual control mode" in this area. The system does not work autonomously in the current activity format [1].

An important place among the existing instruments that contribute to the development of entrepreneurship in the regions is occupied by development institutions - a system of organizations, the purpose of which is the formation of an innovative economy in the country (federal institutions, such as the Russian Development Bank, federal institutions at the regional level (regional funds) and regional institutions - funds to support small and medium-sized businesses, regional development corporations and investment attraction agencies, free and special economic zones). Support for entrepreneurs is one of the most important activities of development institutions [2].

Against the backdrop of the COVID-19 pandemic, the global economy has practically come to a standstill. Some large enterprises in the world stopped working, the demand for oil decreased, which led to a record collapse of the raw materials market, and small and medium-sized businesses found themselves in a more difficult situation.

Nowadays, the development of the situation with the coronavirus epidemic and oil prices, apparently, occurs according to the "crisis", not to say "shock" scenario.

Obviously, it will no longer be possible to avoid a severe recession - with corresponding social consequences, including a jump in poverty and unemployment. Note that for our country, due to the very "ideality" of the economic storm - a combination of a "quarantine shock" with a halt of entire business sectors in large cities and a sharp drop in "oil revenues" (especially against the backdrop of just self-exhausted economic model tied-up tight to the oil factor and is no longer capable of intensive growth) crisis in Russia may turn out to be much more serious than for the world as a whole. While for most other countries the fall in oil prices (and hence fuel prices) is a stimulating factor, for Russia the situation is fundamentally different. A decrease in oil prices, causing a decline in domestic demand, will lead to the fact that a significant part of the enterprises that have disbanded their personnel for quarantine will simply not be able to reopen fully (and the longer the quarantine lasts, the more severe this effect will be). Accordingly, the constructive version of the forecast proceeds from the following priorities of economic policy [3]:

- Prevention of unemployment (accordingly, prevention of mass closure of companies, including small and medium-sized businesses, which nearly have no "safety margin")
- Financial support for the population (especially the low-income ones)
- Curbing inflation and supporting the ruble
- Support for the investment activity (and development programs).

The state's agenda still faces the task of providing framework conditions under which entrepreneurs can function effectively, and from the standpoint of assessing their real contribution to the socioeconomic development of the region and the country. Public resources should first of all ensure the creation of public goods, and not the emergence of successful business projects as such. It is inappropriate to shift the emphasis of state policy onto regional development to support entrepreneurship as such. When determining the directions for the formation of a high-quality system of institutional support for the entrepreneurship development in the region, it is necessary to assess the quality of public institutions that have both direct and indirect impact on this process, to provide a comprehensive consideration of the system that includes all subjects affecting the development of entrepreneurship, to assess the results and the feasibility of their further functioning.

II. THE RESULT

As a result, the decision to delegate the rights and responsibility for resolving the situation with the pandemic to the regions has three main consequences [4].

Firstly, the regions received additional workload. The degree of centralization and dependence on the center in such situation only increased, as did the personal responsibility of the heads of the facility.

Secondly, in the absence of assistance from the federal center, the success of the regions in countering the pandemic will largely depend on their current economic situation and the state of the medical and social infrastructure. The richer and more powerful regions will be able to exercise the right to establish modes of operation and access based on the strategy of isolating the groups with the greatest risk, with relatively mild quarantine conditions for most others. The weaker ones will come out of the crisis even weaker: the number of resources to help business is less, which means that their strategy of focusing on a stricter quarantine remains almost the only one. And the tougher the quarantine, the tougher the economic and social consequences for the region will be: falling demand, closing businesses, reducing incomes of the population [5-7].

Thirdly, the only emerging advantage in the fight against the pandemic in regions of any type is the option to cut off the source of infection (a city, its part, a particular municipality or territory) from the rest of the subject, introducing strict quarantine there [8]. This will probably be an effective measure to prevent the spread of infection, but the question of the ethics of such decision for the fate of the inhabitants of the "cut off" territory will be very difficult.

About three million entrepreneurs in Russia may cease their activities due to the coronavirus epidemic if the crisis is protracted, according to the Russian Chamber of Commerce and Industry (CCI). Many companies, even large ones, according to experts, will be able to hold out in the current conditions for no more than two months. Some will go bankrupt in hopes of reopening, but not all will return to the market [9].

It is unacceptable to narrow down the range of issues under consideration, leaving behind certain economic entities that have an impact on the development of entrepreneurship in the region, discarding the active role played in these processes by non-profit organizations and commercial structures that can outsource a significant range of tasks that today they are completely entrusted to numerous government agencies and their subordinate organizations. When expanding the range of subjects in the support system, it is necessary to revise the parameters of the authority's activities in this area [10].

III. DISCUSSION

Institutional changes in the field of entrepreneurship support must be planned according to the benefits, costs and risks in the context of the socioeconomic development of the region as a whole, in the context of the coronavirus pandemic.

In March, American analysts noted that Russia is better prepared for the corona virus pandemic than any country in the world, since the country's economy is used to shocks due to sanctions.

The New York Times noted that the Russian Federation is entering a crisis with huge financial reserves, its large companies are almost free of debt, since against the background of sanctions they did not take loans abroad, and the country itself is self-sufficient, since it has learned to provide itself with everything it needs.

The targets of these changes should be located above the segment of entrepreneurship development as such. In the fight against the pandemic, the heads of the Russian regions will have to choose between the two evils - to close enterprises, bringing down businesses and incomes of the population, or not to close them, risking the growth of the disease and their own careers.

On the temporary closure of most enterprises and companies in the service and entertainment sector, as well as the introduction of self-isolation in most regions, businesses reacted with statements of losses. In early April, experts calculated the possible loss of business in the event of full compliance with the presidential decree on a non-working week. According to experts, in total, entrepreneurs will lose almost a trillion rubles. Non-food wholesalers, non-grocery retailers, as well as professional, scientific and technical spheres will suffer the most.

IV. CONCLUSION

The global budget was under pressure - the corona virus epidemic, coupled with the breakdown of the OPEC + agreement, are forcing the Russian authorities to revise their forecasts for economic growth and begin to tighten their belts. In the new reality, the question of supporting the economy with the help of special measures that cost money is seriously raised. The Russian government, together with the Central Bank, have already prepared a whole list of measures that should ensure the stability of the Russian economy and keep it from serious shocks. The cost of the announced measures is 300 billion rubles. However, the source of funding is not yet obvious, it is quite possible that national projects that were supposed to ensure economic growth in the coming years may fall under the cut. The Russian authorities are doing their best to support entrepreneurs in order to avoid financial collapse. The institutional reserves for the development of business and entrepreneurship given in the article in special conditions contribute to the regime of the most favorable passage of the economic crisis.

Data Availability

No data was used to support this study.

Conflicts of Interests

The author(s) declare(s) that they have no conflicts of interest.

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Competing Interests

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