

# The Mechanism of Infrastructure Support for Development of Small Youth Entrepreneurship

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**Abstract.** The topic of the article is relevant in connection with rising unemployment among young people and an increase in the retirement age in Russia. As the methodological approach, the integrated approach is used, within which the methods of analysis, synthesis, historical and logical methods are applied. The empirical base of the research was the data of Rosstat (Federal Service of State Statistics), the SME Corporation, SME Bank, "OPORA RUSSIA", the Fund for Promoting Innovation. The article presents the results of the study of the problems of youth entrepreneurship, institutions and programs to support it are considered. Measures to eliminate the identified problems by attracting young people to business activities are proposed. The formation of a new support program "Acceleration of youth entrepreneurship" and the creation of focal points in the constituent entities of the Russian Federation "Regional Youth Center" are proposed. The mechanism of infrastructure support for small youth entrepreneurship is presented, including financial, information and consulting mechanisms, property tools, training and advanced training. The proposed model of the mechanism of infrastructure support for small youth entrepreneurship will increase entrepreneurial activity among young people and create new jobs. The presented model may be useful in developing a strategy for the development of small and medium-sized businesses in the region.

## 1. Introduction

The development of small youth entrepreneurship is a form of alternative ways to create new jobs, reduce unemployment among young people. The importance of development of youth entrepreneurship is emphasized by the fact that in a few years this category of entrepreneurs will determine the business environment and the speed of the country's economic development. The research topic is becoming more relevant due to the increase in the retirement age, because in five years jobs will be occupied, including people of pre-retirement age, which may cause social tensions among young people. The novelty of the presented research lies in the fact that the formation of the support program "Acceleration of Youth Entrepreneurship", the creation of coordination centers in the territorial entities of the RF "Regional Youth Center" were proposed, and a model of the infrastructure support mechanism for small youth entrepreneurship (SYE) was developed.

The methodological basis of the study was the works of scientists investigating the development of youth entrepreneurship, the infrastructure of supporting small and medium-sized businesses at the federal and regional levels. As the methodological approach to the present study, the integrated approach was applied, within which the methods of analysis, synthesis, historical and logical methods were

used. The empirical base of the research was the data of Rosstat (Federal Service of State Statistics), the SME Corporation, SME Bank, "OPORA RUSSIA", the Fund for Promoting Innovation.

## **2. Institutions and programs to support small youth entrepreneurship**

According to Rosstat, the unemployment rate among young people under 25 in November 2018 was 21.2%, in January 2018 this figure was 20.1%, thus, an increase in the number of unemployed by almost 1% is observed [12].

The problem of youth unemployment is relevant for European countries, including the former Soviet republics: Armenia, Georgia, Ukraine. The problem of unemployment is associated with such issues as part-time work, employment in the informal sector, "illegal salary", violation of labor law. Another important problem is that young people who work remain poor. The experts note that 156 million working youth in the world (37.7%) live in extreme poverty (less than \$ 1.90 per capita per day) or moderate poverty (that is, between 1.90 and \$ 3.10.)

The problems of youth employment are often associated with such factors as economic recession, insufficient knowledge level and, moreover, work experience, asymmetry of the labor market, the lack of contract jobs for a beginner. To eliminate these problems in the countries, various projects and programs to support youth entrepreneurship are being created.

In Russia, a youth policy is being developed which main goal is the socialization of youth, its involvement in economic institutions for the development of the innovative potential of the economy. The Government Order of the Russian Federation of November 29, 2014 N 2403-p "On Approval of the Fundamentals of the State Youth Policy of the Russian Federation for the Period up to 2025" determined that "youth entrepreneurship is the entrepreneurial activity of citizens under the age of 30, as well as legal entities (small and medium-sized businesses) whose average age of full-time employees, as well as the age of the manager, does not exceed 30 or in which nominal (reserve) capital the share of deposits of persons under 30 years of age exceeds 75 percent" [1].

The mechanism for supporting youth entrepreneurship in Russia relies on the main institutions: the Ministry of Economic Development of the Russian Federation, the Ministry of Science and Higher Education of the Russian Federation, the Ministry of Agriculture of Russia, the Federal Agency for Youth Affairs, the Russian Center for Assistance to Youth Entrepreneurship, the Youth Public Chamber, and the International Youth Chamber, the Fund of Innovation Promotion, the Association of Young Entrepreneurs of Russia, Youth Committee "OPORA RUSSIA", etc.

The Russian Center for Assistance to Youth Entrepreneurship implements a number of programs, among which the program "You are an entrepreneur" - aimed at supporting young people aged 15 to 30, which is conducive to the development of business initiatives. This federal project allowed the opening of about 16,000 new organizations in 60 regions of the country [14].

The program "You are an Innovator" is aimed at supporting young people aged from 14 to 30 inclusively carrying out scientific, technical and innovative activities in the territory of the Russian Federation.

The Fund of Innovation Promotion implements a number of programs that continue to operate in 2019: "Vovlecheniye shkol'nikov v innovatsionnyuyu deyatel'-nost'" ("Involving schoolchildren in innovative activities"), "Umnik" ("A clever one"), "Start" ("Start"), "Razvitiye" ("Development"), "Internatsionalizatsiya" ("Internationalization"), "Kommertsializatsiya" ("Commercialization"), "Koope-ratsiya" ("Cooperation") [15].

Persons from 18 to 30 years old can participate in the program "Umnik", the maximum amount of the grant is 500 thousand rubles, the duration of the research work is two years.

The program "Start" is designed to support start-up innovative small enterprises. Grants are given for a period of one year based on the results of the contest "Start-1" (grants are 2 million rubles); the contest "Start-2" (grants are 3 million rubles); the contest "Start-3" (grants are 4 million rubles) and under the program "Business Start" 5 million rubles are granted. The Youth Affairs Committee "OPORA RUSSIA" unites entrepreneurs from 35 regions of the country. The Committee launched the project "Academy of Young Entrepreneurs" for schoolchildren of 7-11 grades.

A special role in the support of youth entrepreneurship is played by youth innovation creativity centers (YICC), which are non-state platforms created with budgetary subsidies for scientific and technical creativity, equipped with 3D printers, milling, engraving, laser machines, essential tools and accessories. These centers began their work in 2012, over the period from 2012-2016 in Russia 200 centers were created and they are operating in 40 regions of Russia.

The SME Corporation plans to train participants of the system WorldSkills Russia in the programs "Alphabet of the entrepreneur" and "School of the entrepreneur" in 2019. Certified trainers take part in these training programs, they are registered by the SME Corporation.

With the support of the Ministry of Economic Development of Russia, services for small and medium-sized businesses (SMEs) were implemented: "one stop principle" service was introduced, innovative services such as the SME-bot and the online platform of knowledge for entrepreneurs were launched.

In general business climate is improving in Russia. According to the World Bank (May, 2018), Russia is in 31st place out of 189 in the global ease of doing business, it managed to go up several steps, compared to 2016, when Russia occupied 51st place [13]. The study of business climate was carried out on ten indicators: ease of registration of the organization, quickness of obtaining building permits, the number of days of grid connection, speed of property registration, loan approval, investor protection, the current level and severity of the taxation burden, the development of international trade, ensuring the implementation of contracts, the speed of liquidation of the enterprise. As before, Russia holds a not high rating on investor protection (57), on level of taxation (53), speed of liquidation of the enterprise (59) and the lowest level is ease of international trade (99).

### **3. Problems of formation of youth entrepreneurial initiatives and their solutions**

Despite a number of measures to support small youth entrepreneurship, there are a number of problems in its activities:

- lack of education, knowledge and skills to start own business. Russian education is mainly aimed at obtaining theoretical knowledge and skills, despite the increase in the amount of hours allocated for practical training [10];

- lack of initial investment to create a business;

- low social attitudes of youth unwilling to take risks, lack of entrepreneurial spirit and own motivation. Young people are more likely to choose employment opportunities in large firms and state-owned companies [11]. Often, they perceive the entrepreneur as a person who is constantly overcoming difficulties, and not one who strives for success.

- high administrative and legal barriers to start a business;

- отсутствие деловых экономических и производственных контактов;

- high taxes and credit rates for start-ups;

- complex and controversial legislation;

- the activities of institutions to support SME are not focused on supporting youth entrepreneurship [8].

Shumik E.G., Belik E.V., Blinov M.P. note another problem: the existing educational programs do not form incentives for entrepreneurial activities and behavioral competencies [11]. We partially agree with this statement. Incentives and a positive image of entrepreneurship should be formed not only within the walls of a particular educational institution, but outside it. Behavioral competencies can be formed only when performing practical actions, for example, within the framework of business incubators, business accelerators, gaining practical experience and experience of negotiation. Therefore, it would be highly advisable to introduce a one-year practice-oriented training in business incubators and accelerators on the principle of guidance into the educational program of training bachelors. In this case, business incubators are recommended to be created on the basis of universities with the participation of entrepreneurs. The great advantage of youth entrepreneurship is that this category of people is the most mobile, flexible in the perception of innovations, and therefore has a sufficient socio-economic potential [7]. Among the advantages can also be called a high innovation potential and a

tendency to take risks, a high level of mastering new knowledge and entrepreneurial skills, an adequate health level and stress resistance, which is also important when opening a new business.

At the same time, without state support, the establishment of the business has a rather complicated path and requires special attention from representatives of the authorities and the development of a targeted support policy. Among the main activities to attract young people to entrepreneurship are:

1) promotion of entrepreneurship among young people. Formation of social advertising about a positive appearance of the entrepreneur, informing about ongoing support programs, business courses, trainings, competitions of business projects [4];

2) the organization of the system of business clubs on the basis of universities, or as independently functioning communities with the support of the state and business circles. It is advisable to engage entrepreneurs to conducting business trainings and to advising on business planning, business case solutions[5];

3) the mass involvement of young people in student business clubs and the selection of talented children, which is recommended not only by the results of participation and victories in business competitions and business competitions, but by different characteristics: stress tolerance, risk tolerance, ability to work in a team, other behavioral and psychological characteristics [2];

4) increasing the number of support programs for winners of contests and olympiads;

5) reduction of administrative barriers, simplification of business opening procedures for youth entrepreneurship, creation of separate multifunctional centers on "the one stop principle" [3];

6) development of affordable credit mechanisms for small youth entrepreneurship, including reduced interest on loans, a guarantee system, comfortable credit terms and payment schedules [9];

7) the provision of property and premises on preferential terms, the first year on the terms of free rent;

8) development of educational programs providing the last year of practice-oriented training in business incubators.

#### **4. Formation of a model of the mechanism of infrastructure support for small youth entrepreneurship**

Using the experience of the program of "growing" small business (SB), it is recommended to create the program "Acceleration of youth entrepreneurship" in regions. For the implementation of the proposed programs, it is desirable to create regional youth centers (RYC), or to determine organizations of infrastructure which perform the functions of RYC (Fig.). The goal of the program is to increase the number of small businesses organized by young entrepreneurs who can compete in the industry segment of the market.

##### Tasks

- stimulation of the innovative potential of young people in the framework of the work of the small youth entrepreneurship, development of project and research activities;

- effective organization of the interaction of the subjects of the small youth entrepreneurship with the subjects and institutions of the support infrastructure;

- coordination and development of individual support tools in the framework of the "Acceleration of youth entrepreneurship" program;

- development of a successful environment for small youth entrepreneurship competition;

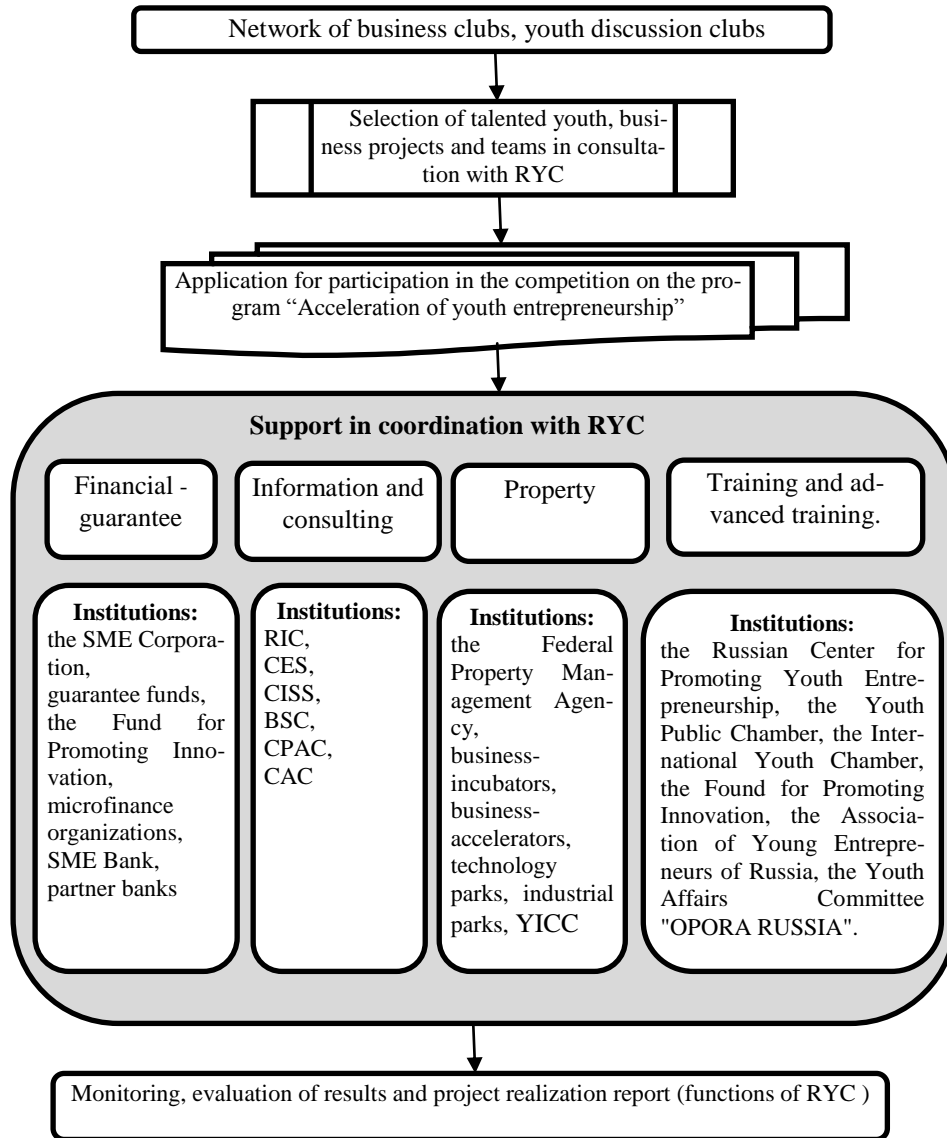
- creation of motivation among the youth for entrepreneurial activity, for opening a small business.

It is advisable to single out the following stages in the implementation of the regional program "Acceleration of youth entrepreneurship":

Stage 1 - the creation of a network of business clubs, discussion clubs based on colleges and universities, with the aim of training, consulting and selection of business ideas, business projects and talented youth;

Stage 2 - testing of potential participants of the program for the propensity for entrepreneurial activity, the ability to work in a team, and possessing professional competencies. At this stage, it is rea-

sonable to select candidates when applying for participation in the program “Acceleration of Youth Entrepreneurship”



**Figure 1.** Model of the mechanism of infrastructure support of small youth entrepreneurship.

Stage 3 - the provision of financial, property, information and consulting support, as well as training, retraining and coordination with the subjects of infrastructure support for the provision of a complex of services;

Stage 4 - current control of RYC over the implementation of the program, evaluation of the effectiveness of the program and the activities of the small youth entrepreneurship within the program, reporting to the regional executive bodies.

Among main functions of the RYC in the mechanism of infrastructure support for youth entrepreneurship is interaction with other support institutions, as well as monitoring, analysis of youth entrepreneurship and reporting to the Ministry of Economic Development the results of the program “Acceleration of Youth Entrepreneurship”.

In the model of the mechanism of infrastructural support for small youth entrepreneurship, it is advisable to distinguish financial, property, information and consulting support, as well as the system of training and advanced training.

To provide financial support to SMEs, including young Entrepreneurs, National Guarantee System was created. Regional Guarantee Organizations implement their work in the framework of it and they have entered into an agreement with the SME Corporation and have received accreditation. Regional guarantee funds together with the SME Corporation provide entrepreneurs the following types of guarantees: counter-guarantees, co-guarantees and syndicated guarantees. The total amount of guarantees reaches 70% of the amount of loans of SMEs.

With the support of the Ministry of Economic Development of Russia in 2019 the size of micro-loans has increased from 3 million rubles up to 5 million rubles. Since 2017, preferential lending programs are being implemented at a rate of 6.5% for small and medium-sized businesses that implement investment projects in priority sectors.

In 2019, start-ups can count on various support programs: a one-time subsidy in the amount of 12 unemployment payments from the employment center is provided when starting a business ; financial assistance for the preparation of documents, payment of state duty, notary costs, stamp production, consultation and legal services; garnet support, according to which, on the basis of competitive selection, amounts are issued on a non-refundable and free of charge basis up to 600,000 rubles; support to novice farmers up to 3 million rubles. [6].

Property support is provided by the Federal Property Management Agency, as well as by such institutions as business-incubators, business-accelerators, technology parks, industrial parks, YICC.

Consulting support is provided by various centers: Business Support Centre (BSC), Regional Integrated Centers (RIC), the Centers for Coordination of Support of Export-Oriented SME (CES), the Centers for Popular Arts and Crafts (CPAC), the Centers for Agricultural Consulting (CAC), the Centers for Innovations of Social Sphere (CISS).

Assistance in training and advanced training is provided by the Russian Center for Promoting Youth Entrepreneurship, the Youth Public Chamber, the International Youth Chamber, the Fund for Promoting Innovation, the Association of Young Entrepreneurs of Russia, the Youth Affairs Committee "OPORA RUSSIA".

At the same time, the same institutions can provide a different list of service services, for example, business-incubators, business-accelerators; YICC can provide property support, training, and consulting.

## **5. Conclusion**

The proposed program "Acceleration of Youth Entrepreneurship", the creation of focal points in the regions of the Russian Federation "Regional Youth Center", the model of the mechanism of infrastructural support for small youth entrepreneurship will increase entrepreneurial activities among young people. The new mechanism will contribute to the involvement of young people in entrepreneurial activities, increasing the number of youth projects, disclosing the innovative potential of young people, increasing business social responsibility, promoting entrepreneurship, creating new jobs and self-employment of young people, which will later reduce social tensions in society. The proposed model of the mechanism of infrastructure support for small youth entrepreneurship can be useful in developing a strategy for the development of small and medium enterprises in the region.

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