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**SMEs as a Driver of Structural Changes in Russian Economy: How to Use Their Potential under Constraints?**

SMEs are traditionally considered primarily in the context of their social role in providing employment and income to the population. At the same time, the SME sector has a number of properties and attributes which determine its significant potential as a driver of sustainable growth and positive structural changes in the economy in particular:

* SMEs are a critical source of new ideas for the economy, primarily due to technology startups that create and test breakthrough innovations. Compared to large companies, SMEs are much more flexible, adaptive and mobile, which allows them to absorb new knowledge and learn new practices and business models faster. Thus, SMEs significantly "shorten the path" from the creation of new knowledge to its use in the economy;
* SMEs pioneer nascent industries. Newly created firms are better at capturing prospective demand and, thus, opening up new areas of economic growth - nascent industries tend to be predominantly represented by small and medium-sized firms that form and test new business models;
* It is the SME sector that is most often the basis for the formation of high-growth firms, which numerous studies have shown to have a significant impact on economic growth. In particular, such companies are characterized by a disproportionate role in job creation combined with a dynamic increase in productivity;
* SMEs are important for ensuring the economic success of people, implementing flexible development trajectories for populations of different ages and competencies. Small business is the most accessible form of youth and scientific entrepreneurship, professional self-realization of active youth, building career trajectories between science and business.

In recent years, a number of factors have been becoming more and more significant, further strengthening the potential of SMEs as a driver of structural changes:

* The digitalization of the economy and the spread and cheapening of Industry 4.0 technologies, which are helping to lower the threshold requirements for effective business scale and making it much easier for small companies to integrate into national and global value chains. In the context of the ongoing transformation of chains, it is SMEs that can become the basis for the rapid restructuring of supply networks;
* Growth of demand for consumer innovation, expansion of niches for the activities of small and medium-sized firms in large cities and agglomerations; strengthening the prerequisites for the formation of creative industries;
* Servicization, development of conditions for network economy; change of business models and increase of the role of organizational innovations;
* Sustainable growth of the GIG-economy, including those based on online employment.

The paper analyzes the role of Russian small and medium-sized firms as a driver of positive structural change in the economy, key obstacles and problems in realizing their potential. The main focuses of the research are as follows:

* Analysis of the specifics of the Russian SME sector against the background of other post-communist countries relatively close to Russia in terms of a set of basic parameters of socio-economic development;
* Assessment of the impact on the Russian SME sector of recent years shocks associated with the COVID-19 pandemic and the 2022 sanctions;
* Analysis of the scope and specifics of digitalization of small and medium-sized firms, the main directions, results and problems of their use of modern digital technology.

An important feature of the research approach is the use of a wide range of different data sources both at the macro level (Rosstat, the Unified SME Register, Eurostat, OECD, etc.) and at the level of firms and entrepreneurs (two rounds of Russian industrial enterprises survey, BEEPS, GEM).

Some preliminary results of the study are as follows:

* A characteristic feature of small and medium entrepreneurship in Russia is its "fragility", which is manifested in the high rate of SME attrition and relatively short "average life expectancy". At the same time in Russia there is traditionally a low share of small and medium-sized firms controlled by foreign capital and, especially, family firms, which traditionally show greater stability;
* Important structural features of the Russian SME sector are its bias towards industries requiring low skilled labor, large cities, as well as the narrow layer of medium-sized firms, acting as a basis for the formation of new big business;
* Significant problems of the entrepreneurial climate and institutional environment for doing business determines the excessively short horizon of real planning of small and medium-sized firms, which in turn has a negative impact on their investment and innovation activities; in addition, a significant factor of the low intensity of investment and innovation of SMEs remains insufficient access to credit;
* Low investment and innovation activity of Russian SMEs leads to technological backwardness and low level of labor productivity. At the same time, SMEs in Russia quite often use modern digital technologies, but there are signs of insufficient "depth" of digitalization of Russian business;
* The crisis caused by the COVID-19 pandemic had a generally significant negative impact on the Russian SME sector, but at the same time stimulated the increased use of digital technology;
* The population of high-growing companies in Russia is rather small - their percentage is several times lower than in many post-communist and developing countries - and there has been no clear upward trend in recent years. The narrowness of the “gazelles” layer determines the low chances for the formation of "unicorn" companies in Russia, the number of which is extremely small in relation to the scale of the economy.