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Estimating entrepreneurial risk in Russian small and medium-sized enterprises

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Abstract

Identifying risks is essential to ensure the efficiency of activities of small and medium-sized enterprises who are most exposed to the effects of risks due to limited resources and their structural features. The purpose of this study was to define the levels of entrepreneurial risk prevailing in recent years in Russian micro, small and medium-sized enterprises. The study used data from the official statistical collection of activities of all Russian enterprises for the period 2015 to 2017, representing 82 Russian regions and thirteen types of economic activity. The highest level of acceptable entrepreneurial risk was observed in the trade industry. The highest level of critical entrepreneurial risk was observed in enterprises specializing in the production and distribution of electricity, gas and water, and in mining. The highest level of catastrophic risk was observed in enterprises specializing in building and construction, transport and communications, and in wholesale and retail trade. These results could be of interest to entrepreneurs when choosing the type of sectors to engage in, and to policymakers in supporting enterprises in particular economic sectors of Russia. This paper aims to contribute to the scholarly debate on the establishment of levels of entrepreneurial risk.

Keywords*: small enterprises; medium-sized enterprises; microenterprises; acceptable risk; critical risk; catastrophic risk; type of economic activity*

Introduction

Risk is inherent in all kinds of enterprises. Entrepreneurial risk comprises positive and negative consequences of events, which may affect the achievement of strategic, operational and financial objectives of the enterprise (British Bankers' Association, 1999). Risk events can be caused by external factors (economic, environmental, social, political) or internal factors (infrastructure, human resources, process and technology used by the enterprise) (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2004). Knowing how to identify, estimate and continuously monitor risk, is essential to ensure efficiency of activity and a company's survival. This is especially true for small and medium-sized enterprises that are most exposed to the effects of risks due to limited resources and their structural features (Verbano & Venturini, 2013).

The modern concept of entrepreneurial risk is formulated in the international standard ISO 31000:2009, which is used in most economically developed countries. The Standard indicates that organizations of all types and sizes face internal and external factors that make it difficult for them to determine how and when they will achieve their set goals. Entrepreneurial risk is defined as the effect of uncertainty on company goals. The Standard emphasizes that any enterprise activity is associated with risk. The Standard suggests a methodical and structured approach on how to estimate risks (Purdy, 2010; Lalonde & Boiral, 2012).

Previous studies have concluded that the terms 'acceptable', 'critical' and 'catastrophic' are the most useful to describe the essence of business risk adequately (e.g. Tapman, 2002). However, ways of evaluating the levels of these entrepreneurial risks for small and medium-sized enterprises have not been adequately investigated.

Russian Federal Law No. 209-FZ (24 July 2007), "On the Development of Small and Medium-sized Businesses in the Russian Federation", defines small and medium-sized enterprises in terms of the number of employees. Enterprises with fifteen or fewer employees are categorized as micro enterprises; 16 to 100 employees as small enterprises; and 101 to 250 employees as medium-sized enterprises.

In recent years, small and medium-sized enterprises have become an essential element of the Russian economy. In 2017, the Russian economy encompassed 2,796,000 enterprises (including 2,498,000 microenterprises, 257,000 small enterprises and 14,000 medium-sized enterprises). The number of people employed by these enterprises exceeded 11 million (5,314,000 employees in microenterprises, 6,672,000 in small enterprises, and 1,745,000 in medium-sized enterprises). Small and medium-sized enterprises generate about 20% of gross domestic product and also employ approximately 20% of the workforce in Russia (Federal State Statistics Service, 2019). However, small and medium-sized enterprises in Russia have not experienced rapid growth, especially compared to the European Union where small and medium-sized enterprises provide jobs for about 60% of the working population and produce more than half of the gross domestic product (Development of small and medium-sized entrepreneurship, 2015).

Thus, Russia sees an urgent need for the accelerated development of micro-, small and medium-sized enterprises. However, to achieve entrepreneurial sector growth in the national economy requires an understanding of the factors that influence the activities of small enterprises. Therefore, among the

pressing problems are establishing entrepreneurial risks prevailing in small and medium-sized enterprises.

The questions asked in this research are as follows:

Question 1: Does the level of entrepreneurial risk differ by industry specialization of the enterprises?

Question 2: Does the level of this risk differ by the size of the enterprise?

Our research attempts to answer some recent calls in the literature for more systematic studies of the influence of entrepreneurial risk on small and medium-sized business (Kim & Vonortas, 2014; Verbano & Venturini, 2013). Estimation of entrepreneurial risk is important in the context of the implementation of the 2030 small business development strategy for the Russian economy (The Strategy, 2016). The Strategy calls for the doubling of the small and medium-sized enterprises share (from 20% to 40%). To achieve this goal, it is necessary to understand the impact of entrepreneurial risk on the activities of these enterprises. To adequately assess the level of this type of risk and its impact, it is necessary to investigate a wide range of issues to determine what constitutes risks. Therefore, at the present stage of entrepreneurship development it is relevant to analyze patterns and trends characterizing current risk levels in the entrepreneurial sector of the national economy, as well as identify industries and types of enterprises with high and low levels of such risks.

The research goal is to assess the levels of entrepreneurial risk faced by microenterprises, small enterprises and medium-sized enterprises operating in different industries. The results of this study may prove useful for regional government authorities and the Russian government as a whole. The empirical analysis is based on official statistic data for all enterprises operating in the 82 regions of Russia.

Our study makes several important contributions to knowledge in the field of entrepreneurial risk. We are adding to the existing literature by providing information on prevailing levels of entrepreneurial risk in Russia and how it differs by type of industry and size of the enterprise.

Literature review

Entrepreneurial risk was first mentioned by Cantillon in 1755 (Cantillon, 1755). He noted that both farmers and most urban entrepreneurs (manufacturers, wholesalers and retailers, homeowners, artisans, chimney sweepers) operate in conditions of uncertainty stemming from changing customer needs. One of the first evaluations of risk was undertaken by Bernoulli (1738) proposed measuring risk on the basis of frequency of occurrence (probability) of the risky event.

However, the majority of theoretical studies dealing with issues of business uncertainty and risks arising from business activities were developed in the 20th century. Knight (1921) published a monograph, which was devoted to the problems of entrepreneurship. He examined the relationships between risks, uncertainty and profit of enterprises. Knight explained that profit is a gain arising from a risky situation. He suggested that the level of risk could be estimated apriori based on statistical probability.

Heyne (1973) examined the relationship between uncertainty associated with entrepreneurship and financial results. He asserts that since there would be no gain or loss without uncertainty, enterprise profit or loss is a consequence of uncertainty. Wu (2011) argued that entrepreneurial risk was an

important element of modern market economies. Zhao et al. (2005) describe entrepreneurial risk as the deviation of achieved results from what was expected.

Dana (2002) concluded that most enterprises are tolerant of acceptable entrepreneurial risk and Hall and Woodward (2010) suggest that entrepreneurs must have relatively high risk tolerance.

Entrepreneurial risk in modern economies is discussed by Toma and Alexa (2012). Åstebro et al. (2014) claim that in the standard expected utility framework, the profit of entrepreneurship is determined by the probability distribution over various possible outcomes. The former study describes the most important categories of entrepreneurial risk and demonstrates that each type of risk requires the same treatment and consideration. Veskovich (2014) concludes that risk in entrepreneurship is a normal phenomenon, i.e. each functioning organization should be prepared to accept it.

Saldias (2013) outlines a methodology to compute forward-looking entrepreneurial risk indicators at economic sector level. Nehrebecka (2018) presents aspects of entrepreneurial risk associated with types of activity (sectoral risk). The author explains that sectoral risk consists of financial risk and the risk of bankruptcy. The results of Nehrebecka's research demonstrate that the largest group of small enterprises with a high level of risk consisted of companies in accommodation and foodservice industries, the information and communication sector, the retail sector and the services sector. Large enterprises were classified as low risk. Prior studies also show that entrepreneurial risk is inversely proportional to the firm size, measured based on the number of employees (Tang et al. 2010; Lechner and Gudmundsson 2014; Thapa 2015).

Risks are categorized as financial, organizational, technological, environmental, administrative, etc. (Islam & Tedford, 2012). To make profits entrepreneurs deliberately undertake risky projects and implement risky solutions (Acar & Goc, 2011).

Granaturov (2002) and Lapusta (2008) classify entrepreneurial risks and describe indicators and methods of evaluation of different types of risks. Pelikh et al. (2004) discuss risk influence of entrepreneurial activity. Shapkin (2003) presents econometric models to estimate economic and financial risks in Russian companies. Kabakov (2012) discusses the nature, indicators and approaches to risk management in business. Kibitkin et al. (2003) set out characteristics of financial risks in the Russian economy and argue that financial risks are decreasing. However, there is no research on estimating entrepreneurial risks in Russia.

Research methodology and data

When exploring entrepreneurial risks, it is advisable to proceed from the concept of a single (elementary) risk. Single risk affects the performance of specific actions and operations (Yates & Stone, 1992). In terms of type, individual risks may be external (factors external to the enterprise) or internal, related to the operations of the enterprise itself. It is important to note that the effect of a single risk on the results of the performance of relevant works and operations can be both positive (leading to an increase in the expected profit) and negative (leading to a decrease in profit). The concept of increase and decrease of expected profits due to risk events (Bakchai et al. 1979) is very important for assessing existing entrepreneurial risk. That is why the evaluation of the level of entrepreneurial risk for small and medium-sized enterprises should not focus on individual elements of operations but measure company performance longitudinally and holistically. This approach, proposed by various authors (Kachalov,

2002; Curtis & Carey, 2012) is of fundamental importance when considering the outcomes of enterprise activities. Thus, our research considered a company's aggregated entrepreneurial risk on the basis of its official reporting. As since 2013 all small and medium-sized enterprises in Russia are required to submit income and loss statements to the territorial statistical bodies, one year was selected as the period to calculate entrepreneurial risk.

The study was based on the following principles:

- Risk is an inherent factor in all activities of small and medium-sized enterprises, however, the level of risk differs.
- Assessment of entrepreneurial risk level in small and medium-sized enterprises should not focus on individual elements of operations, but measure company performance longitudinally (for a period of one year) and holistically.

The following criteria are proposed for the classification of risk associated with the activities of a particular enterprise:

- Permissible risk is associated with profitable activity, i.e. when an enterprise makes a profit, and this is set out in the annual financial statement of the enterprise.
- Critical risk is characterized by the lack of profit (that is, loss or zero profit), however, the enterprise does not cease its activities.
- Catastrophic risk is associated with the termination of an enterprise's activity.

These criteria are objective, easy to apply, and describe the boundaries of each level of entrepreneurial risk.

The proposed procedure for assessing the existing risk levels in the activities of sets of enterprises for the period in question should be based on the following indicators:

- the indicator of acceptable entrepreneurial risk is the proportion of profitable enterprises within the total number of functioning enterprises by the end of the year under review;
- the indicator of critical entrepreneurial risk is the proportion of non-profitable enterprises within the total number of functioning enterprises by the end of the year under review;
- the indicator of catastrophic entrepreneurial risk is a coefficient of the official liquidation of small and medium-sized enterprises that have ceased their activities. This coefficient is calculated as the ratio of the number of enterprises that ceased their activities in the period under review to the total number of operating enterprises and those that have ceased their activities.

The choice of a one-year review period is based on the characteristics of Russian enterprises. It is a known fact in the entrepreneurship literature that new firms exhibit high failure rates in the first years after establishment (Pe'er et al., 2016; Phillips & Kirchhoff, 1989). Based on a data source developed by the U.S. Small Business Administration, Phillips & Kirchhoff (1989) found that on average 40% of new firms survive six or more years. Our similar analysis of the 2017 statistics for Russian enterprises (Federal

State Statistics Service, 2019) indicates that the share of companies surviving six or more years is 62%. The level of survival of enterprises from one to six years was relatively uniform (87% to 90%). Thus, unlike in other countries, Russian start-ups rarely collapse in the first years after establishment. Therefore, it was decided not to take the age of the enterprises into account, as it is possible to investigate entrepreneurial risk on the basis of the data for one year.

According to several studies (e.g., Brustbauer, 2016; Fajnzylber et al., 2006) the size of the enterprise (the number of employees) and its types of economic activity have an impact on the level of entrepreneurial risk. However, a corresponding comparative analysis concerning Russian enterprises has not been carried out before. Taking this into account, our study examines two hypotheses.

- Hypothesis 1: there is a differentiation of risk levels depending on the size (as measured by the number of employees) of the enterprise.

- Hypothesis 2: there is a differentiation of risk levels depending on the type of economic activity in which enterprises specialize.

In assessing the existing levels of entrepreneurial risk, official statistical information of the Federal State Statistics Service on enterprises (Federal State Statistics Service, 2019) was used. The data was used to calculate the three types of risk in 2015 and 2016. However, only catastrophic risk was calculated for 2017 because there was inadequate data to calculate acceptable and critical risks. In particular, the indicators for financial condition and demography of micro-, small and medium-sized enterprises were taken into consideration (data of three-dimensional categories) for thirteen types of economic activity. The number of enterprises for each of these groups in 2017 is given in Table 1. The percentages of enterprises for each type of activity in the total number of enterprises of the corresponding dimensional category are given in brackets.

As shown in Table 1, there is a large number of micro-, small and medium-sized enterprises in the dataset. According to Aven (2012), a large number of observations guarantees stable results for the averages of entrepreneurial risk. Respectively, calculations provide a reliable assessment of risk levels. Therefore, it makes sense to assess the entrepreneurial risk by sets of enterprises of similar size and type of economic activity (Pinkovetskaia, 2018). To improve the reliability of entrepreneurial risk assessment, we calculated the different levels of risk for several years for each type of risk.

Levels of acceptable entrepreneurial risk

Calculations of the levels of acceptable risk were carried out for sets of micro-, small and medium-sized enterprises specializing in one of the thirteen types of economic activities. The results of these calculations for the 2015-2016 data are set out in Table 2. The acceptable risk values for small enterprises do not include microenterprises.

The current levels of acceptable entrepreneurial risk for medium-sized enterprises range from 62.67% to 89.69%. It should be noted that the average value of this indicator was 76.94% for all medium-sized enterprises in the country. The highest level of acceptable entrepreneurial risk was observed in fishing, fish farming and agriculture, and trade enterprises (86.55% to 89.69%). An acceptable risk of less than 70% was observed in medium-sized enterprises specializing in only three types of activities, namely

mining; provisions of community, social and personal services; and production and distribution of electricity, gas and water.

Table 1. Number of enterprises in Russia

Type of activity	Small enterprises	Microenterprises	Medium-sized enterprises
Total for all types of activity	256698 (100.00)	2497879 (100.00)	14138 (100.00)
Agriculture, hunting and forestry	8395 (3.27)	43218 (1.73)	1921 (13.59)
Fishing, fish farming	446 (0.17)	3955 (0.16)	64 (0.45)
Mining	1317 (0.51)	8774 (0.35)	242 (1.71)
Processing industries	33211 (12.94)	193977 (7.77)	3343 (23.65)
Production and distribution of electricity, gas and water	2856 (1.11)	13370 (0.54)	306 (2.16)
Building and construction	31814 (12.39)	311657 (12.48)	1342 (9.49)
Wholesale and retail trade	95837 (37.33)	994218 (39.80)	4245 (30.03)
Hotels and restaurants	9785 (3.81)	67423 (2.70)	143 (1.01)
Transport and communication	20832 (8.12)	248174 (9.94)	729 (5.16)
Real estate operations	31178 (12.15)	447947 (17.93)	1284 (9.08)
Education	240 (0.09)	9596 (0.38)	51 (0.36)
Health care	5380 (2.10)	39416 (1.58)	288 (2.04)
Provision of community, social and personal services	15407 (6.00)	116154 (4.65)	180 (1.27)

Source: Compiled by the author

The current levels of acceptable entrepreneurial risk for small enterprises range from 63.79% to 83.95%. At the same time, the average value of this indicator for all small enterprises in the country reached 76.26%. The highest level of acceptable entrepreneurial risk for small enterprises was observed in trade, health care, and agriculture (80.52% to 83.95%). An acceptable risk of less than 70% was found in small enterprises specializing in mining, and the production and distribution of electricity, gas and water.

The current levels of acceptable entrepreneurial risk for microenterprises range from 70.77% to 83.53%. At the same time, the average value of this indicator was 76.60% for all microenterprises in

the country. The highest level of acceptable entrepreneurial risk was observed in the wholesale and retail trade; construction; and transport and communications (80.04% to 83.53%). The lowest levels of acceptable risk in the range from 70.77% to 70.85% were observed in microenterprises specializing in mining, and fishing and fish farming.

Table 2. Established acceptable risk levels, %

Types of economic activity	Medium-sized enterprises	Small enterprises	Microenterprises
Agriculture, hunting and forestry	87.55	80.52	78.35
Fishing, fish farming	89.69	77.69	70.77
Mining	66.60	68.24	70.85
Processing industries	76.63	78.82	79.88
Production and distribution of electricity, gas and water	62.67	63.79	75.50
Building and construction	77.09	78.19	81.25
Wholesale and retail trade	86.55	83.95	83.53
Hotels and restaurants	71.91	73.28	74.32
Transport and communication	76.74	75.46	80.04
Real estate operations	78.60	77.51	76.25
Education	76.66	79.24	74.79
Health care	80.50	80.92	75.47
Provision of community, social and personal services	68.97	73.71	74.86
On average for all activities	76.94	76.26	76.60

Source: Compiled by the author

The following conclusions can be drawn from the comparison of acceptable entrepreneurial risk values for different-size category enterprises in 2015-2016:

- there is a positive connection between the size of an enterprise- and the level of acceptable risk in agriculture, hunting and forestry, fish farming and fisheries, and real estate operations;
- there is a negative connection between the size of an enterprise and the level of acceptable risk in mining, the processing industries, production and distribution of electricity, gas and water, building and construction, hotels and restaurants, health care, and provision of community, social and personal services.

No connection between the size of enterprises and the level of acceptable risk could be established for other types of activities.

Data presented in Table 2 indicate the existence of risk level differentiation depending on the size of the enterprise. Thus, hypothesis 1 is supported.

In general, the level of acceptable risk for all small and medium-sized enterprises in 2015-2016 was about 86%. This allows the conclusion that the majority of entrepreneurs who have set up their own enterprise in Russia are conducting their activities quite successfully. Their companies are not only

surviving in difficult economic conditions, but they also ensure the profitability of their products and services by using market mechanisms.

The levels of critical entrepreneurial risk

Critical risk levels were calculated for micro, small and medium-sized enterprises specializing in thirteen types of economic activity. Critical risk values for the period 2015-2016 are shown in Table 3.

Table 3. Established critical risk levels, %

Types of economic activity	Medium-sized enterprises	Small enterprises	Microenterprises
Agriculture, hunting and forestry	12.45	19.48	21.65
Fishing, fish farming	10.31	22.31	29.23
Mining	33.40	31.76	29.15
Processing industries	23.37	21.18	20.12
Production and distribution of electricity, gas and water	37.33	36.21	24.50
Building and construction	22.91	21.81	18.75
Wholesale and retail trade	13.45	16.05	16.47
Hotels and restaurants	28.09	26.72	25.68
Transport and communication	23.26	24.54	19.96
Real estate operations	21.4	22.49	23.75
Education	23.34	20.76	25.21
Health care	19.5	19.08	24.53
Provision of community, social and personal services	31.03	26.29	25.14
On average for all activities	23.06	23.74	23.40

Source: Compiled by the author

As noted above, the values of the existing critical risk levels reflect the proportion of enterprises that made no profit for the years under review. Therefore, for each of the activities, the values of critical risk levels complement the values of acceptable risk up to 100%.

The current levels of critical entrepreneurial risk in medium-sized enterprises for the period 2015-2016 ranged from 10.31% to 37.33%. The average value of this indicator was 23.06% for all medium-sized enterprises in the country. The highest level of critical entrepreneurial risk was observed in medium-sized enterprises specializing in the production and distribution of electricity, gas and water (37.33%), and mining (33.40%).

The current levels of critical entrepreneurial risk ranged from 16.05% to 36.21% for small enterprises. At the same time, the average value of this indicator was 23.74% for all small enterprises in the country. The highest level of critical entrepreneurial risk was observed in small enterprises specializing in the production and distribution of electricity, gas and water (36.21%), as well as mining (31.76%). A low level of critical entrepreneurial risk was seen in trade (16.05%), health care (19.08%) and agriculture (19.48%).

The current levels of critical entrepreneurial risk for microenterprises in 2015-2016 ranged from 16.47% to 29.23%. The average value of this indicator was 23.40% for all microenterprises in Russia. The highest level of critical entrepreneurial risk was observed in microenterprises specializing in fishing and fish farming (29.23%), and mining (29.15%). The minimum values of critical risk were seen in trade (16.47%) and construction (18.75%).

Data in Table 3 support hypothesis 1, demonstrating the existence of risk level differentiation depending on the size of the enterprise. Data presented in Table 3 support hypothesis 2 on the differentiation of risk levels depending on the type of economic activity.

The current level of critical risk in the activities of small and medium-sized enterprises on average ranged from 23% to 24%, indicating that one in four companies faced financial difficulties, which manifested in total losses based on the results of operations in 2015-2016.

Levels of catastrophic entrepreneurial risk

Our calculations of the levels of catastrophic risk are based on the total number of small and medium-sized enterprises specializing in one of the thirteen types of economic activity. The average values for the period of 2015-2017 are presented in Table 4. Enterprise size was not taken into consideration due to the lack of relevant information in the official statistics.

Table 4. Catastrophic risk levels, %

Types of economic activity	Average value (2015-2017)
Agriculture, hunting and forestry	4.43
Fishing, fish farming	5.67
Mining	7.51
Processing industries	7.14
Production and distribution of electricity, gas and water	7.70
Building and construction	9.74
Wholesale and retail trade	9.58
Hotels and restaurants	7.34
Transport and communication	9.56
Real Estate Operations	6.31
Education	2.77
Health care	5.90
Provision of community, social and personal services	7.00
On average for all activities	6.97

Source: Compiled by the author

The differences in the current levels of sectoral catastrophic risk in 2015-2017 ranged from 2.77% to 9.74%. The average value of this indicator for all small and medium-sized enterprises in the country was 6.97%, indicating that one in fourteen enterprises was unable to survive the consequences of risky activities and ceased operations. This result is similar to that reported by Åstebro et al. (2014). They indicate that the average value of terminated activity for small enterprises in the USA is about 8.33%.

The highest level of catastrophic risk in 2015-2017 was found in small and medium-sized enterprises specializing in building and construction (9.74%), transport and communications (9.56%), and the wholesale and retail trade (9.58%). This, in our opinion, is due to the establishment of a large number of construction and transport enterprises and retail chains in recent years, causing significant difficulties for small and medium-sized enterprises, which have to compete with large enterprises. Rostami et al. (2015) came to a similar conclusion in their investigation of small businesses in the UK construction industry. Their study indicated that small businesses in the construction industry were at greater risk of failing than businesses in other industries.

The values for catastrophic risk in processing industries, hospitality, mining, production and distribution of electricity, gas and water were somewhat lower (7.14% -7.70%). The current level of risk in these sectors is due to significant capital investments, which, due to recent crises, did not always provide the return needed to service loans and other borrowed funds.

The lowest level of catastrophic risk (less than 6%) was observed in enterprises engaged in agriculture, hunting and forestry; fisheries and fish farming; health care; and educational establishments.

Compared to 2015, there was a decrease in the values of catastrophic risks in agriculture and fisheries in 2016-2017, attributable to restrictions imposed on the import of food products in Russia. At the same time, the opposite trend was observed for the other eleven types of activities, i.e. an increase in risk values. It is worth mentioning that the values of catastrophic entrepreneurial risk increased dramatically for enterprises specializing in mining, construction, transport and communications, hospitality, and health care during the period under review. This, in our opinion, indicates a significant decline in the entrepreneurial climate in the Russian economy for the period under review.

Data presented in Table 4 support hypothesis 2 on the differentiation of catastrophic risk levels depending on the type of economic activity.

Conclusion

We analyzed the existing levels of entrepreneurial risk for small and medium-sized enterprises according to sector and size features. The method we adopted was capable of assessing existing levels of acceptable, critical and catastrophic risks for small and medium-sized enterprises.

We argue that assessing levels of entrepreneurial risk is useful to monitor entrepreneurship in the regions by type of economic activity. Future research can use the methodology used in this study to calculate the existing risk levels for small and medium-sized enterprises by municipalities. This research might prove helpful to inform start-up entrepreneurs about the expected levels of risk for certain types of activities. When developing programs and long-term plans for the development of small and medium-sized enterprises, it is worth taking into account the existing levels of entrepreneurial risk. Also, the research findings can be used in educational activities in higher and specialized secondary educational institutions, or by researchers, and by state and municipal authorities.

Government, regional and municipal authorities can use the research findings to launch and implement projects and programs for the development of entrepreneurship. Our study provides these authorities with information on groups of profitable and non-profitable small and medium-sized enterprises, as well as the number of enterprises that terminated their activities in different industries. Besides, the

research results may be of use for organizations involved in assisting small and medium-sized businesses.

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