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SABAH FACULTY

ECONOMY

Arifzada Firangiz, fourth year, full-time student

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on

"Analyses of Small and Medium Entrepreneurship in Europe"

Rector of the University: Dr. Muradov Adalat Jalal oglu

Scientific Supervisor: PhD candidate Abdulova Aygun Aghasadig

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**Abstract**

Small and Medium Entrepreneurship plays an influential role in economies of many countries.Time The global economy represents 95 percent of SMEs All enterprises in the world account for a total of 66 percent employment. Existing jobs show that existing businesses the environment is described by a very high level and strong modern information and communication thus causing further aggravation of SMEs their preservation and their enlargement problems Business.To support SMEs in their development Competitiveness, the researchers are now focusing on information and mining techniques for risk and growth model models. However, the information used to evaluate risks and growth indicators are mostly derived through surveys, a lot of work and time will not be lost or will be provided financial institutions, thus sensitive to privacy issues. In recent days, web mining (WM) has emerged as a new approach to gaining valuable insights into the business world.

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**Introduction**

The actuality of the subject. - Small and medium business entities are important economic actors in the economies of nations. One of the key features of SMEs is to create more fair conditions distribution of product and property. It also assists decrease income and wealth inequalities among various stages of society.

Experience of developed countries displays that in recent years, the part of SMEs in the economy has increased, and the majority of enterprises have been in the SME category - more than 95%. To this end, many developed countries have developed various non-financial and monetary stimulus mechanisms that are aimed at increasing the severity of SMEs in individual sectors.

As in many European Union’s countries, the Republic of Azerbaijan strives to develop the Entrepreneurial sector in a globalized,innovative economic market. In the last dozen years, innovations in the field of taxes and mainly legal framework made entrepreneurship a profitable area.

One of the main goals is to ensure the increase of small and medium businesses,to support the creation of new jobs, to increase foreign investment in entrepreneurial activities and to provide necessary support.Each issue we highlight is the relevance of the study.

Subject and object of research. The subject of the research is generally the entrepreneurship sector moreover, the potential of the sector in Europe. The main subject of graduation work is analyzing SMEs in Europe and differ them from Azerbaijan.

Chronological boundaries of the study. From the earliest times, the research has idetified various aspects of entrepreneurial activity that are related to the historical development of the field and its relevance.

Purpose and tasks of the study. The main objective of the research is to investigate the potential of entrepreneurial activity in the European Union, as well as to ensure that the results of the study are fully and effectively used in the Azerbaijan’s model and to identify possible measures to be taken in this area.

Accordingly, sample issues have been consistently identified in the study:

- Theoretical aspects of the impact of entrepreneurial activity on the economy;

-Identify strategies for entrepreneurship and problems that may occur in the measures taken to attain sustainable development;

-Examine European experience in the entrepreneurship regulation area;

- Entrepreneurship activity in Azerbaijan economy;

- Investigation of foreign investments in Azerbaijan and projects implemented in this sector.

Research methods. Methodological bases of research are local and external sciences, economic theory, relevant decrees and orders, SWOT analysis, development of entrepreneurship sector, etc.

Scientific-practical significance of research. The theoretical importance of the study is the identification of existing opportunities and advantages as well as the development of the business sector in European Union countries.

The practical importance of the study is that the results can be used as a comparative advantage in the entrepreneurship sector in Azerbaijan and contribute to the development of the sector.

The structure of the work The research is structured as follows. In Chapter 1, the determination of small and medium-sized entrepreneurship is explained and readers will be able to get information about the historical development of SMEs around the world. The role in Germany and its economic development is examined. In the following section, the realistic situation of SMEs in Azerbaijan economy, SWOT analysis of SMEs, the role of government policies in the improvement of SMEs are examined. As a result, various suggestions have been made for the growth of small and medium-sized entrepreneurs.

**CHAPTER 1. HISTORICAL DEVELOPMENT OF ENTREPRENEURSHIP**

* 1. **Theoretical features and historical development**

Entrepreneurship is one of the most useful internal sources of the national economy. At the same time, Small and Medium Entrepreneurship, which has some of the features that exist in the economy along with large enterprises, is of particular importance in determining the material welfare of society. Specific features of small and medium-sized enterprises include the role of the economy, the development of competition, the solution of the employment problem of the population, the ease of the economic system and so on. The beneficial effects of the development of small and medium-sized businesses in economies of developed countries are very important both in terms of GDP and employment.

The market itself is based not only on the high dynamics of the market economy but also on the entrepreneurship itself, which is a determinant of society and develops on economic freedom and is a leading element of economic prosperity.

The concept of entrepreneurship for the first time was presented by Richard Cantillon, the bank's owner and economist of France. He put the trade in the forefront and described the concept of entrepreneurship as a craftsman, peasant, merchant, poor and robber. Ownership of the holder with the equity holder. He also pointed out that capital will have both private and equity capital and will not affect the nature of these businesses. Entrepreneurship considers economic activity that meets the commodity's needs, considering land and labor as a source of economic wealth and exploring the material gains in these conditions.

Classical and modern founder of the world economy A.Turogo, A. Smith, J. Schumpeter, V.Somart, D.Rikardo, A. Marshall, FA Hayek and others. Theoretical and practical issues of entrepreneurship development, ideas.

Representative of the Physiocrats School A.Turgo (1727-1781) pointed to the existence of a risk-related market risk as a sign of entrepreneurial honesty. French economist B.Sey characterized entrepreneurial activity as the three main factors - the land, capital and labor union in the Political Economy Tactics. According to him, the entrepreneur is a person who endangers his capital and is excited to produce his products.

The founder of the classic economy, A. Smith, attempted to give a clear characteristic of entrepreneurship in his research on "Nature and Human Security Objectives." An emerging entrepreneur thinks he is the owner of any transformation Finally, he gave approximately equal coverage of the entrepreneur to the need for state regulation of the economy through credit, monetary and financial policies.

German economist V. Zomart made a great contribution to the development of entrepreneurship. Zumbart was a businessman, economist, organizer, and merchant. Y. Sumpeter was a man who carried out a new combination of production factors, thus providing economic growth. According to him, the venture is not a producer but a private capitalist, but the owner and the bank's shareholder can also be entrepreneurs.

Dicardo launched an investigation into the role of an entrepreneur in his research entitled "The Beginning of Political Economy and Taxation." He has identified entrepreneurial activity as an important element in the effective cultivation of abstract, endless and natural production of capitalism and entrepreneurial activity. The basis of K.Mark's economic theory is completely alternate. More precisely, entrepreneurial activity was regarded as a means of capitalism.

Subsequently, the idea of ​​coordinating production factors was developed by A. Marsal (1842-1924). The fourth factor of the three main factors of production is the addition of entrepreneurial activity, entrepreneurship plays an important role in the life of the society, accelerates and accelerates economic processes.

Austrian economist J. Schumpeter (1883-1950) described his business activity as a key tool for the economic growth of the capitalist economy in his book The Economic Theory. He always evaluates the entrepreneur as an innovator, creates new business combinations and innovates in high risk, creativity and freedom.

Y. Sumpeter noted the following features of entrepreneurial activity:

- the consumer's new, non-existent material benefit or previous benefit, but only in the new confidentiality;

- use of new, unused new production methods;

- mastering or delivery of a new sales market;

- mastering of new sources and raw materials;

- Application of new forms of production and sales.

The British economist, Nobel Prize laureate F.A.Hayek (1899-1922) has reviewed the entrepreneurial nature in a specific way and has characterized entrepreneurship as the search and study of new economic opportunities, rather than as a type of activity.

There are rumors about the olmadı entrepreneur ası understanding in the economic literature, but it is clear that the ü Economics Writers kitabı textbook K.Makkonell and S. Brüger have nothing to do with looking at the entrepreneur. The existence of a special activity is based on basic conditions and requirements. First, the entrepreneur enters into the unification of land, capital and labor resources in a single process of production and service production. Second, it takes on a decisive task as a key decision-making process in the business process, which identifies the enterprise's course of business. Third, the entrepreneur is a novator in the production of new products, the application of new production technologies and the introduction of new forms of business. Finally, fourth, the entrepreneur is a risky person.

Entrepreneurship development means that its quantitative assessment is incorrect. Thus, when access to the world market is not the main factor of the country, but the competitiveness of products and services they produce. From this point of view, it is possible to demonstrate the following two dimensions, characterizing the modern level of development of the entrepreneurship:

- high quality of the product;

- copy of innovation;

- variety assortment of harvest;

- Mass production capabilities;

- level of service after sales;

- High professionalism;

- level of organization of work of management.

Entrepreneurship can be developed on the basis of two main dimensions by evaluating the availability of conditions for development:

- Investment attractiveness;

- The relative ownership of economic rules and norms and the tendency toward other values.

It is essential that businesses in any country have production factors. At a given moment, not just a set of factors, but the conditions for their creation and adaptation to the needs of the fields play an important role. The abundance of factors may be in some cases not lead development, but can lead to stagnation, but can lead to the development of factors that can Accelerate growth, look for new business initiatives and ultimately achieve long-term benefits.

Reserves can be grouped as follows:

- Quantity of human resources - labor costs, level of expertise;

- physical resources - quantities, quality, objects of exploitation and cost of natural resources, soil, water and minerals, wood products and entrepreneurship;

- knowledge resources - a set of market information influence on scientific, technical, commodity and services;

- financial resources - volume and cost of capital that can be attracted to the industry;

- Infrastructure - transport, postal, payment service status, property system, etc.

* 1. **Entrepreneurıal Activity, Its Essence and Forms**

Global experience proves entrepreneurship to be an important component of the economy. This determines the pace of economic development.

Entrepreneurial skills mean that they can do some work. This ability depends on the individuality of entrepreneurial mindset. Entrepreneurial skills can be either in the social process, or in the educational process. The first way in the modern era is long-term - the first way, the superiority process. In the learning process that meets the modern requirements, people acquire entrepreneurial skills. Entrepreneurship is a kind of human capital. More clearly, the combination of both human capital and all other factors is to create benefits and services. This is important in entrepreneurial activity and in favorable conditions.

Entrepreneurial activity is a self-employed independent entrepreneurial activity, and the main purpose is to earn income from the sale of property, commodities, jobs or services. Why, for whom to produce, to adopt economic laws, to find more progressive methods, to find cheap prices and high quality products, to find new service methods, effective sales organization, consumer research, comprehensive competing analysis etc. directly connected.

According to modern legislation, entrepreneurial activity is carried out independently, at its own risk, ie income from the use of property - sale of goods, performance of works or rendering of services, this quality is envisaged by law. However, this definition is incomplete.

Entrepreneurship has different perspectives, such as:

• Making profit maximization;

• Initiation of citizens engaged in the development of goods and services for profit;

Direct function of property realization, its basic production function;

Organizational innovation process for profit;

• Measures aimed at increasing capital, development of production and profit acquisition;

• Tailor-made search of changes in existing lifestyles of enterprises and society, and a constant focus on these changes.

Most practitioners and researchers are focusing on gaining profit, considering the key objective of entrepreneurship. Nevertheless, the main purpose of entrepreneurship is not to have a profound benefit as the sustainability of the restoration process of the demand and the individual or the public, permanently changing, changing regularly, meeting the needs of society as a whole.

From this point of view, the maximum performance of each stage of the Reconstruction process, focusing on the best innovation, entrepreneurship more accurately changing needs, end-user needs for products and services, product, sales, marketing, logistics, management, promotion.

This definition focuses not on the maximum level of profits, but on the needs of the consumer, which ensures that the entrepreneurship can bring maximum profit through a high-level organization.

Entrepreneurship is not just any business; innovation, anti-bureaucracy, sustainable initiative, and a management-style approach that focuses on innovation in production, marketing, distribution and consumption processes of products and services. Business is a reproductive activity in the field of organizing, producing, distributing and selling goods and services without innovation, without innovation in the development of innovative processes. Year-to-date implementation or organization of the same production, marketing, distribution or other activities within the scope of approved technologies, norms and rules meeting existing requirements.

Characteristics and features of entrepreneurship:

1. Independent activity of capable citizens and their combinations;

2. It is an entrepreneurial activity aimed at the realization of their skills and the needs of other people and society;

3. This is a risky business because entrepreneurship endangers and eliminates environmental resistance;

4. It is a process that is not an individual operation but also a systematic way of earning profit;

5. this is the legal activity of legal entities and physical persons in accordance with legal acts;

6. The main purpose of this is to earn profits.

Entrepreneurship is characterized by the fact that the innovation moment is related to the production of a new product, the change in the activity profile or the creation of a new business. The new production management system, the introduction of new methods for quality, production or new technologies are also innovative moments.

Entrepreneurship can be classified according to different criteria.

Depending on the form of ownership, entrepreneurship develops privately and publicly.

State enterprise is a form of economic activity:

a) state bodies authorized to manage state property or state

b) local government.

Private entrepreneurship is a form of business activity or entrepreneur (if registered as a registered trader).

Of course, each of these species - the public and private entrepreneurship - has its own distinctive features, but the basic principles of their implementation are united in many ways. And in this case, the occupation of such activities is a desire for initiative, responsibility, innovative approach, increased profits. Both types of entrepreneurship typologies are similar.

The main difference between public and private entrepreneurship is not to focus on profitability. Trade, in addition to certain socio-economic goals, is the state of organizations.

State-owned enterprises have the power of the state's potential superior sources of profit.

Depending on selected criteria, businesses can be configured differently.

Depending on the form of ownership, the entity may be divided into private and public. Enterprises in the private sector of the economy vary depending on whether they own one or more people; liability for the sole capital of the entity. Public sector is state and municipal enterprises.

According to the law: legal; illegally - without a license to be registered without the license terms; lying business - without the intention to engage in entrepreneurial or banking activities that involve prohibited activities, obtaining a loan.

Territory: local, regional, national, international, global.

According to the founders of women and young people.

Development rate and profitability: fast growing, slowly growing, low-income, low-risk, and highly risky.

According to the number of employees: small, medium, large.

Given that entrepreneurial activity is at the center of attention, the following types of entrepreneurship are distinguished:

1. Production is the process of producing, maintaining and servicing specific products. Depending on the industry, industry, construction, agriculture, and so on. Can be. It is such a decisive factor for economic development and development.

2. Trade-commerce - more mobile, quick adaptation of the need. There are two basic conditions for its development: relative permanent supply from producers.

3. Finance and credit - value of securities, currency values ​​and national money. Commercial banks, financial and credit companies, funds, currency exchange and so on.

4. types of insurance, insurance and other types of damage. Insurance companies. This is one of the most risky activities.

5. Mediatorial - intermediaries between producers and consumers. These are supply and sales organizations, brokers, dealers, distributors, exchanges.

**Why is it so important?**

* Unemployment problem: Unemployment and increasing unemployment poverty is now a common problem of the whole world.One of the most effective tools to combat unemployment one is to support people to establish their own business.Also the level of entrepreneurship in a country as the number of new jobs increases.Therefore encouraging entrepreneurship in many countries has become a policy.
* Economic growth: new job opportunities and areas the prosperity of a country and its continuation it provides.Evaluation of local potentials it also serves.Entrepreneurship in particular these two issues trigger economic growth and guarantees a functioning function.
* Capital accumulation: Successful entrepreneurs they eventually grow and increase their profits.State when necessary support is provided by these profits lead to capital accumulation.This accumulation unlike capital accumulation of large companies can spread to all parts of society.
* Competition environment: the effectiveness of companies as competition increases increases.Because in favor of a company, consumers and society perform better and production of various goods and services It is difficult.Competitive environment costs and lowering prices.
* New products, new markets and new sales methods creation:Innovative entrepreneurs traditional markets,the way they do business in these markets they are radically changing.
* Supporting scientific and technological development: Scientific and technological research and development activities no matter how important developments open the door what is important is the realization of these.Entrepreneurs tendency to see opportunities and take risks It is the scientific and technological consequences of life they give.

**Challenges Waiting for Entrepreneur:**

* Load of responsibility: Entrepreneurs are the boss of their business they are not, in fact, commonality.Investors, customers, families, relatives and they are under pressure from the expectations of the state.
* Limited resource: The capacity of entrepreneurs to do business,limited to available resources.For this reason,what they want to do and dream of abandoning projects or seeking new finance they remain.
* Work stress: the activities of entrepreneurs will guaranteed to earn enough money to survive They do not.Therefore, high work stress live.
* Long working hours: Entrepreneurs do not have the business hours.Almost all of the day passes by business.
* Fear of failure: Entrepreneurs without success may experience failures before.All their capitals they work with the risk of losing.
* Health problems: The hard work of entrepreneurs it may cause physical problems.Stress related disorders, especially in many entrepreneurs Seen.
* Family issues: a new and risky job or stress caused by failure, family structure may adversely affect. Also many small entrepreneurs work with family members to start with business-related problems are reflected in the family causes.

Business partnerships can be created in the form of a full partnership and limited partnership.

Business companies can be created in the form of a joint stock company, a company with limited or additional liability.

A business entity is recognized as a subsidiary if another (main) business entity or partnership, by virtue of its predominant participation in its charter capital, or in accordance with the agreement concluded between them, or otherwise has the ability to determine the decisions made by such a company. A subsidiary is not liable for the debts of the main company (partnership).

The managing company is recognized as dependent if the other (dominant, participating) company has more than 20% of the voting shares of the stock company or 20% of the share capital of the limited liability company.

A full partnership is a partnership whose members (full partnerships), in accordance with the charter, are engaged in business activities from the partnership and are liable for its obligations with the property belonging to them. Each participant in a full partnership has one vote, unless the ordinance provides a different procedure for determining the number of votes of its participants.

A full partnership does not have a charter; it is created and valid on the basis of a memorandum of association, signed by all participants.

When jointly managing the partnership's affairs by its participants, each transaction requires the consent of all the participants of the partnership. Participants in a full partnership shall jointly and severally bear subsidiary responsibility with their property for the obligations of the partnership.

**CHAPTER 2. ENTREPRENEURSHIP IN THE EU COUNTRIES**

**2.1 Support for entrepreneurship in Spain.**

The formation of small business in Spain takes its start from the 70s of the last century. The high level of development of small businesses allowed the country's economy to be at the highest level. Entrepreneurs secured unemployment in the country and generally affected the economic situation in the country.

This business is extremely important for the national economy, and this is evident both for the political elite and for ordinary citizens. By its business structure, Spain is defined by law as a country where small and medium-sized enterprises have an overwhelming number, therefore the sector of medium and small businesses is called the main factor of competition and stability and emphasizes its crucial role in the process of increasing national wealth, providing jobs, and also its flexible structure that can adapt to any changes resulting from a change in business cycles.

Historically, in Spain, the population of rural areas always prevailed, while there were very few large enterprises, mostly they were either state-owned or existed due to serious support from the state. Naturally, in such circumstances, small and medium-sized businesses began to dominate in Spain and even became a kind of special style in the economy, if it is permissible to speak about the national mentality and culture through the lens of the economy.

Most of the firms in Spain, 54.3% of the total number registered in the country, have the form of enterprises without a legal entity, do not hire workers and are individual entrepreneurs. Small firms (microenterprises) accounted for 94.1%, medium ones - 0.8%, and small ones - 5.0%. 28% in this category of enterprises are enterprises with one or two employees, and only 5-10% of enterprises employ three or more employees.

The share of small and medium enterprises in the Spanish economy is higher than in other EU countries. More than 99% of all small and medium-sized enterprises are available. A leading role-playing industry is playing in line with the peculiarities of Spain's economy. A few years ago, the whole Spanish economy was the "locomotive" of residential construction - and small and medium-sized businesses were also dominant in this area.

Unlike Germany, France and Belgium, in which almost a third of medium and small firms are based with the participation of foreign investors, Spanish enterprises belonging to this category are for the most part truly national, and only 7% of them are foreigners.

This area of business has a characteristic feature in the form of a quick update of its composition. Simply put, small and medium enterprises disappear quickly and appear just as quickly. European experience suggests that the nature of the closing and opening processes is relatively painless. The fact is that the reason for the completion of the activities of many companies is not financial difficulties, but a change in the profile of activity, or merger / separation, which requires further re-registration.

In employment, the role of small and medium businesses is difficult to overestimate. The main part of new jobs falls on its share, and this is one of the most important functions for maintaining the country's economy in a stable state. Self-employment, as one of the forms of small business, is the so-called stabilizer of the labor market: during the economic recovery, its growth is observed, and during periods of recession - a reduction. When taking into account the total number of workers employed in the field of small and medium businesses, in addition to individual entrepreneurs, you must also take into account the secondary employment of the population (work under a contract and part-time job, with an individual schedule and part-time work), and hidden employment (work without any -or documents). Hidden employment increases depending on the level of unemployment growth, primarily cyclical, arising in the economic downturn.

According to the classification adopted in the European Union, small and medium-sized businesses are divided into three groups: smaller than 10, fewer than 10, up to 50, and average 250 employees.

Following the example of other European countries, Spain conducts the main work on the organization of medium and small businesses at the local and regional levels, in compliance with the framework of national legislation. In the course of the decentralization process, when the transfer of competencies to local and autonomous communities took place, a system of execution of decisions with many levels formed over time in the state. It looks like this: the central government and autonomous communities, also involving the administration of local communities (municipalities and provinces), develops various programs designed to support small and medium-sized businesses, and then coordinates the implementation of these programs locally and in the regions, using for this purpose a single national system of information support and accounting, and also represents the interests of Spanish entrepreneurs in the EU bodies and institutions.

In Spain, businesses are classified as follows:

The number of such enterprises in Spain is only 3.3 million. Small businesses that account for 78% of all employed population in the country provide 68% of the total gross domestic product. However, most of these businesses are very small: over 80% of them are made up of three employees.

Spain has a number of programs aimed at supporting and developing small entrepreneurship. The government pays much attention to those subjects of small entrepreneurship that actively participates in the country's social policy by creating additional jobs for socially vulnerable citizens such as students, women, immigrants, etc., and also promotes the development of low-income regions .

The Spanish government pays great attention to the development of science-intensive areas and the growth of scientific achievements. Small entrepreneurship development programs are based on European programs spread across Germany, France, Great Britain and many other European countries.

The state promotes small entrepreneurship by creating a large number of different institutions and funds. Such organizations are divided into two groups and include societies supporting small entrepreneurship in the territory of the European Union.

The first group includes mutual benefit societies (QZC). These businesses provide their creditors with collateral, or provide guarantees to creditors for the purpose of obtaining loans for the development of small businesses.

In Spain, QZC applies a special principle for the search of internal sources of financing for small entrepreneurship. This is the principle of voluntary payments. In order to stimulate QZC's development and increase its credibility, the Spanish government has adopted a special law regulating QZC's activities and providing government-specific guarantees and financial support. It should be noted that QZCs differ from the Interaction Fund (QMC). QZC does not issue loans, but only guarantees financial institutions and banks for loans to their members for specific business projects. In this case, QZC conducts an expert evaluation of project implementation and profitability. Thus, QZC does not perform financial operations, their activities are regulated by more moderate normative acts and do not require substantial funding for start-up activities. The Spanish legislation regulating the QZC activity stipulates that when the QZC is insufficient to guarantee the financing of large projects, the government itself provides a solid guarantee for that project.

The second group incorporates mutual financing organizations that finance, invest, and provide subsidies to small entrepreneurship entities. This group includes Spain's official state credit institution. More information about this Institute is provided below.

In addition, Spain has a large number of organizations advocating the interests of small businesses. An example is the Small Business Association and the Chamber of Industry and Commerce, which opened branches in every city.

Four major organizations are selected from organizations that provide financial support to Spanish small and medium-sized businesses:

This organization incorporates the state-funded agency on the one hand and the investment and development bank on the other. Its three main programs are funded by: 1) assistance to Spanish investments abroad; 2) plan for industrial vehicles; 3) financing of the main funds of small and medium-sized enterprises aimed at the creation of new investments. The "Linea PYME" program is considered to be the most important among the Small and Medium Business Support Program.

The State Credit Institute (hereinafter referred to as the ICO) was established in 1971 as an organization responsible for coordinating the activities of Spanish state banks. The goals and core functions of the ICO are regulated by a special law.

In 1988, it was reorganized as a state-owned ICO loan institution with a new law, and received a state development bank status.

The new bank also included other state banks, including the Industry Crediting Bank, the Agricultural Credit Bank, the Local Government Authority Crediting Bank and the Spanish Mortgage Bank. In addition, ICO became the principal shareholder of the Spanish Foreign Trade Bank.

From this moment on, the bank has been able to attract financial resources from the state treasury and the bank has been able to attract them further from the capital markets. In 1991, a reform of the state banking sector was carried out in Spain, and as a result, the ICO was retained as a state financial agent and state development bank.

ICO is a state-owned corporation and its subsidiary is Spain's Ministry of Economy and Competition. As a credit institute, ICO acts as a state financial agent. It has its legal status, assets, treasury and independent management as well. ICO independently attracts financial resources both locally and internationally, and, at the same time, it is openly, irrevocably, unconditionally and directly to the Spanish government in the face of third parties.

The core function of ICO is to provide financial support to economic activity that contributes to the country's economic growth and development. Particularly, the ICO deals with the financing of social, cultural, ecological and innovative areas for the development of the country.

As a state bank, ICO provides funding for Spanish companies both in and out of the country and abroad. Meanwhile, ICO operates in two ways: the second-level bank and the first-level bank, which directly implements lending. These loans are primarily aimed at supporting individual entrepreneurs and small and medium enterprises.

ICO determines the amount of each loan line, the purpose of lending, interest rates, terms of lending, and financial resources for individual and small and medium enterprises.

In 1986, the ICO group began to form. At present, ICO is a shareholder of various Spanish companies. The ICO's first branch structure is owned by Axis's 100% equity and manages three funds:

In addition, ICO is a management company and investor of several foundations. In addition, ICO also manages a joint European fund to support small and medium-sized businesses.

The ICO supreme governing body is the Board of Directors consisting of 9 members and secretaries. ICO Chairman is Chairman of the Board of Directors. Members of the Board of Directors are:

The Legal Director is the Secretary of the Board of Directors. ICO's chief executive officer is the Chairman of the Council of Ministers of Spain on the proposal of the Minister of Economy and Competition. The ICO's operational management function is composed of a Chairperson, a four-member panel and an Operating Committee. Chairman of the Operating Committee ICO. The members of the operational committee are:

The secretary of the operational committee is the director of the law department.

Thus, in March 2013, 320 employees were employed in 10 structural units of the ICO.

Other organizations that provide financial support to small and medium-sized businesses in Spain include:

Main goals and objectives: to increase competitiveness of small and medium-sized enterprises, thereby to increase the overall volume of economic activity and ultimately to increase employment in the country.

According to its status, this organization is a state-owned shareholder, its shareholders are various government agencies and five private commercial banks. COFIDES helps implement Spanish companies in developing countries. Small and medium-sized businesses are in the forefront of it, though this organization also finances larger firms.

The main purpose of this state organization is to support the development of new technologies and the practical application of their production processes.

It is important to note the low level of bureaucracy as a positive aspect of the development of small entrepreneurship in Spain. Entrepreneurs spend up to 24 hours to register a small enterprise and obtain a license. This period does not change for people who are not citizens of the country. As a result, foreign citizens are involved in the development of small entrepreneurship in the country.

**2.2 Support for entrepreneurship in Italy**

In the ancient world, the main economic activity of most people was associated with agriculture, but at the same time in the cities, commercial activity or entrepreneurship became widespread. Many, if not most, of the papyrus and clay tablets that have survived to our times contain trade records. It was the development of trade that led to the appearance of numbers and letters, i.e. to the formation of writing.

After the fall of Rome, trade, crafts, and industry in the West were almost absent until the beginning of the 13th century, when Italian cities began to revive them. From the 12th to the 14th centuries. The main centers of business activity were considered Venice, Florence and Genoa. Throughout most of the Middle Ages, at least until the end of the 13th century. the main part of the turnover was for traveling merchants. Many of them had to cover vast distances and constantly face dangers. The total turnover was small, and therefore the rate of return was low. Nevertheless, the number of active merchants was disproportionately large. Buying goods, they constantly moved from one fair to another. The most famous and numerous was the fair in the province of Champagne in the north of France, through which the most convenient trade routes to Northern Europe ran. Merchants from Levant, Italy, the Nordic countries and the Netherlands came to the fairs in Champagne. For more than 100 years, they gathered at this fair every year and for 32 weeks they bought and sold fabrics, furs, medicines, food and other goods, issued loans, collected debts and changed money.

At the end of the 13th century, the Count of Flanders proposed to Italian "sedentary" merchants, whose influence grew continuously, to freely use the port of Bruges, which had strategic importance and was the center of the Flemish textile industry. The merchants immediately left Champagne and sent their agents and partners to Flanders, as a result of which the value of traveling merchants and fairs in Champagne plummeted. In a short time, the Italians placed under their control all European trade, with the exception of trade in Germany and on the Baltic coast, which for some time remained a monopoly of the Hanseatic League, but by 1370 the Hanseatic Union had entered a period of stagnation and soon played a minor role.

The main reasons for the victory of the “sedentary” merchants over the wandering merchants and the Hanseatic League were that these merchants quickly perceived new methods of doing business and proved their superiority in entrepreneurship. Unlike free federations such as the Hanseatic League, they formed more or less permanent partnerships. In addition, they covered more extensive areas with their activities and were able to establish effective management. In addition, the Italian "settled" merchants surpassed their competitors in using different ways of doing business. They contributed to the spread of bills of exchange and marine insurance (which first appeared in Genoa at the beginning of the 14th century). However, the most important thing was that Italians taught the world the principles of accounting. Without an accounting system, the development of capitalist entrepreneurship would be impossible. Italians dominated the development of new methods of lending and banking services.

The weakening of Italy began with the discovery of new trade routes and the New World. The center of world trade has moved from the Mediterranean to the Atlantic coast. In Europe, the center of business has slowly shifted to the north. Of course, in Rome there were large at that time banking institutions, enterprises for tailoring clothes, making bricks and dishes, mines and smelting workshops. Nonetheless, entrepreneurship was represented mainly by trade enterprises and entrepreneurs engaged in trade and lending, as well as buying back taxes.

Medieval production was mainly domestic and craft. Some types of handicraft, such as making clothes and blowing glass products, were characterized by a significant amount of output. In Florence, the 15th century in the production of these products used a wide division of labor and relatively complex equipment. In general, handicraft production was based on manual labor; Machinery and equipment used in the production of extremely rare. The only notable exception was shipbuilding.

In medieval cities, there were two types of entrepreneurs. The first type was those who could be called petty capitalists - itinerant merchants, shop owners, petty and street vendors serving a small local market; independent craftsmen and members of craft workshops and guilds. The second group united large businessmen, or "sedentary merchants", who, from their offices, led various trading and banking activities.

Entrepreneurs used various forms of enterprise organization. In small business, the most common form was a one-man farm. Merchant elite, as a rule, organized partnerships of one of the three main types. The first type of partnership, well known since ancient times, began to dominate the Italian cities around 1100. Such a partnership assumes that one of the partners invests capital in the enterprise and makes three-quarters of the profit, while the other partner takes all the work, receiving one-fourth of the profit for it. According to the agreement on the second type of partnerships, one partner contributes most of the capital, and the second partner invests the missing capital and ensures the entire work of the enterprise; all profits are divided equally between partners. In a partnership of the third type, all partners are involved both in capital and in their work. This type of business usually included family-owned firms, which were especially widespread during the heyday of Italian cities. They were able to collect very significant capital, but some enterprises demanded investments in excess of those that their partners wanted and could risk. In such cases, the shares in the partnerships were sold to outside investors.

The main task of the industrialist is the expansion of production. When an industrial society is just beginning to form, or when the industry is completely new, the industrialist easily increases production and markets its products. By the second half of the 18th century, enterprises of individual industrialists already had machines and equipment that were used for mass production of consumer goods — textiles, porcelain, and small, cheap products. Heavy industrial equipment and instruments were still assembled by hand and made exclusively to order. Mass production of industrial goods did not exist until complex machines appeared, which enabled production of interchangeable parts and components.

The industrial revolution was characterized by rapid technological changes that began in England and captured other cities in Europe. However, the growing use of machines in the early years of the industrial revolution did not always lead to the transformation of enterprises into factories. While some factories were built to take advantage of cost savings from the use of large machines, the vast majority of textile equipment was initially designed to be used at home or in small workshops as part of a give-and-take manufacturing system.

With the spread of factory production, new factories often appeared in industries where they existed before. From the beginning of the 1800s, small and medium-sized manufacturers dominated the industry. For almost the entire 19th century, within the framework of one industry, the toll-based systems, handicraft and manufactory production and proto-factories coexisted and interacted. Until 1900, experienced entrepreneurs with an understanding of the internal and external activities of the company, having a permanent administrative and management staff and support services, were rare. Typical industrialists of that period were people who were little worried about something that did not directly concern their business. Very few of them had a clear policy towards workers, and even that, as a rule, had a pronounced paternalistic character.

Despite the impressive growth of entrepreneurship, the long-term policy of enterprise development was often absent. Industrialists continued to specialize only in those business operations that they knew well and avoided diversification. In addition, they did not develop themselves and did not seek to take advantage of the new tools and tools developed in other areas of management, marketing and finance.

The capital of industrialists of the early period was formed in a variety of ways. At first, most entrepreneurs relied on the financial resources of their relatives. After the establishment of the company, capital began to increase due to retained earnings. Despite the fact that enterprises grew to enormous size, in many cases they remained for a long time in the ownership of individual industrialists or partnerships. This meant that business organizations often found themselves in a quandary and became extremely cumbersome. Noticeable progress in marketing was also not observed. The competitive struggle between entrepreneurs of this period was primarily of a price character, which kept prices from a sharp rise in the high phase of the business cycle. At the same time, this practice could lead to devastating consequences in the low phase of the cycle: the result of competitive price reductions often became massive bankruptcies and a sharp deterioration in the situation of those who managed to stay afloat. In the field of finance, the weakness of early-stage entrepreneurs was even more pronounced than in management. Capitalists invested primarily in fixed assets, neglecting the current capital. As a result, they did not have sufficient financial reserves to overcome difficulties during periods of economic recession. Even the largest industrialists from time to time experienced a desperate need for cash. The weaknesses and shortcomings of the business structure did not go unnoticed. Gradually, business practices improved. The three main reasons for this evolution were the following:

1. the overall process of economic growth, the consequence of which was the consolidation of enterprises;

2. actions of the entrepreneurs themselves, aimed at solving problems of price competition and overcoming weak financial policies;

3. changes in the economic and social institutional system, such as the growth of the trade union movement and the strengthening of the role of the state, which posed a number of new problems for entrepreneurs.

The last two decades, Italy has joined a number of the most developed countries. The export of Italian goods has increased sharply compared with national production. Companies in this country rarely have competitive advantages in several industries. Italy is a country of small companies and family enterprises (up to 60% of small businesses belong to family companies). The country is better known for chaos in the government, poor quality of telephone communications and other public services, inefficient state-owned enterprises and constant subsidies. Italy is one of the countries that inherited very few profitable factors of production. Nevertheless, Italy has achieved a noticeable result in dynamism and the ability to enhance its competitive advantages in the industry. One thing “but” is holding back Italian entrepreneurs are language barriers. Therefore, they need constant “pushes” of their goods abroad, as well as staffs of translators and sales representatives. State support for Italian business is also directed to this channel. Like 300 years ago, today Italian trade representative offices, departments and bureaus for the development and expansion of entrepreneurial integration are opening up in many countries around the world, numerous exhibitions are organized at state expense. Italy and abroad, and local budgets pay for business trips that are potentially interesting for Italian companies, buyers of a wide variety of goods.

The definition of SMEs in Italian literature does not always reflect the definition of the European Commision(an organization that employs less than 250 employees).Several studies, for example, include mid-sized businesses employing 49 and 499 (for example,Mediobanca Unioncamere, 2011). At the same time, much of the Italian Labour Law provisions use 15 employees as a threshold, with medium-sized and large enterprises being defined as those employing more than 15 employees. This implies that observing the effects of support measures by firm size can be difficult for those enterprises employing fewer than 15 employees. For these reasons, while SMEs are the backbone of the Italian economy, and restructuring is a topic of public debate, there is not often explicit reference to SMEs. In particular, and even more so in times of recession, there is quite an animated debate on what measures can be used to help firms restructure that have the least effect on employees. Indeed, while there has always been a public debate on SMEs’ restructuring and support in terms of business expansion and internationalisation, the public debate on the kind of restructuring that might negatively affect employment has been more prominent since the economic recession. This has resulted in the extension of support measures to SMEs that enable restructuring without impacting on employment levels.

**Italian SMEs**

The Italian economic structure is almost entirely based on micro, small and medium enterprises (Istat, 2009). In 2009, Italy had more than four million enterprises in industry, services and construction, almost 17 million workers were employed, and only 3.9 workers had a medium size for a company. In fact, 99.9% of Italian businesses are micro, medium and small enterprises with less than 250 employees. Micro enterprises have a turnover of over €675 million and almost a third of the value added by all Italian enterprises. In fact, in order to emphasize the importance and incidence of micro-products in Italy’s productivity system, a number of studies have begun to apply to Italian SMEs, such as micro, small and medium-sized enterprises (CSOs). In Italy there are also 200,000 small enterprises (10–49 employees) employing 3.5 million employees, producing €617,919 million in turnover and €141,535 million in added value. Medium sized enterprises (50–249 workers) employ more than two million workers, with a total of 21,962 enterprises. They produce a turnover of €538,593 million and an added value of €102,915 million.

**2.3 Support for entrepreneurship in Germany**

Small business has a major impact on the German economy. The state supports small business materially and technologically, there are special programs for the development of small private companies operating in the field of science.

In Germany, government benefits for loans that promote the development of small businesses in the following areas:

 - scientific developments;

- projects aimed at protecting the environment and improving the state of the environment in the country;

- projects whose goal is to increase the pace of development of the economically underdeveloped regions of Germany;

- social construction to solve housing problems;

- development of projects to improve production conditions.

The conditions for registering small businesses in Germany are simplified as much as possible; for registration, you only need to register with the local sales office. There are a number of criteria and parameters by which a small business is determined, but usually small business is considered as such if the company's annual turnover is not more than 300,000 euros, making a profit not exceeding 30,000 euros.

Doing such a business in Germany is a simplified scheme. To open a business, a private entrepreneur will need only 10 euros, as a payment of the registration fee, and a few minutes to spend on filling in a fairly simple Gewerbeamt form, which is completely placed on the album sheet, after which he is issued a certificate Gewerbe-Anmeldung confirming registration business. This document is very important, the certificate must be presented to business partners, wholesale suppliers and other interested parties. If, by filling out a questionnaire, the entrepreneur has questions or other difficulties, they can be discussed with the official on the spot.

Now businessmen from the countries of the former USSR often think about doing business in Western Europe, particularly in Germany. There are a number of reasons for this. Sometimes it is just the image of the company - European companies are more willing to cooperate with companies registered in Germany than in the CIS countries. Also, the reason may be a desire to obtain a residence permit in Germany or an attempt to simplify the purchase of a ready-made business and ease settlements with German business partners, avoiding the need to comply with the laws of Russia regarding currency control.

There are examples when a Russian confectionery factory, in order to reach a European consumer, has registered its representative office in Germany, and later on a German trademark.

Almost always the name of the company must necessarily coincide with the name of its owner, exceptions are made only for shops, restaurants and cafeterias, as the name plays an important role in their marketing policy. The legal address specified during registration can be both the place of actual residence of the entrepreneur, as well as the rented premises.

A small family enterprise (SME) is called an enterprise where not more than 9 employees work on a permanent basis and where the annual income is not more than 700 thousand euros. Today in Germany there are almost 3.5 million small enterprises, and this makes up 80% of all enterprises in the country. Such enterprises employ 70% of the country's working-age population, thereby providing 41% of all tax deductions — half of the country's total GDP.

Small business in Germany helped the rapid growth of the German economy back in the 50-60s of the last century, providing the country with half the jobs. And in 1978, the government of Germany adopted a program to stimulate savings to start their own business, thanks to which individuals began to issue loans for quite long periods at low interest rates with a fixed interest rate and repayment of the loan strictly according to a plan made before the loan agreement was concluded.

**Features of small businesses in Germany**

Today in Germany there are 600 thousand handicraft small enterprises, covering 97 types of various activities. Almost a quarter of them work for export and thereby provide 17% of the total foreign trade of the country. Another 860 thousand people are representatives of the liberal professions, such as lawyers, consultants, medical workers, auditors. They work according to the principle “I am myself an enterprise”, provide jobs for another 2 million people and, by economic return, are inferior only to trade workers and artisans. The volume of investments in the development of small business in Germany is 51.5% of all financial investments of the country. Small businesses annually take loans from the state in the amount of 50 billion euros.

Today, in Germany, people from Serbia, Montenegro, Turkey, Algeria, Morocco, Poland, Croatia and other countries are engaged in providing various services. Emigrants open small restaurants with national cuisine, private dry cleaners, grocery stores, laundries, hairdressers, tobacco shops, studios and shoe repair shops.

This situation in the business is very happy with the Germans. They themselves prefer to work in the field of information technology, research in the field of chemistry and pharmacology, biological laboratories and means of communication, where a high educational and intellectual level is required.

**Government support for small businesses in Germany**

One of the features of small business in Germany is the development of innovative business. In the early 1980s, a commission was set up to stimulate technological transfer and a consultation center with the Chamber of Industry and Commerce. In the 1990s, technoparks, state and national programs for preferential and subsidized support of small companies were organized. Today, there is a state support for small innovative businesses, namely, technological centers and research institutes have been opened, and a special transport network has been developed.

Any native of Germany, who decided to do business, can easily get a soft government loan of up to 50 thousand euros for 20 years. During the first 2 years the entrepreneur can use the money for free - no need to pay either the debt or the interest on the loan. The next 8 years it is necessary to pay only preferential interest to the bank for using the loan - this is 4-5% per annum. And the amount of debt itself must be repaid only from the eleventh year of the loan. In addition, the Government of the Federal Republic of Germany compensates for various research and scientific work up to 40 thousand euros.

Small German companies can be called a real forge of personnel, because at such enterprises 80% of university graduates start their work. It is precisely small enterprises that conclude with more than 80% of professional development contracts with universities.

The costs of entrepreneurs are much lower than those of large companies, thanks to preferential taxation, state subsidies and low office rental rates. Realizing the benefits of small business, large companies began to break up. Therefore, now in Germany you cannot figure out where the small company is actually and where it is part of a large holding. Small firms that are part of a large company have become very attractive for foreign investment due to low costs. Therefore, in recent years there has been an increase in American, Japanese and Swedish investments in German research small companies. Every year from abroad attracted up to 270 billion euros. The state is very profitable.

**"Part-time entrepreneurs"**

Another feature of small business in Germany is the so-called "part-time entrepreneurs" - those entrepreneurs who, in addition to their main work at a large company, organize their own small business. Quite a common phenomenon in accountants, lawyers, auditors. Some large concerns allow their employees to work constantly at home, and then there will be more opportunities for business development. Some banks, financial institutions, insurance companies, law firms provide their services around the clock, because the so-called “part-time worker” may need to take out insurance or transfer money at night, since during the day he is busy with his main job.

**Creating a business in Germany**

Many citizens of Russia to gain their financial independence and create their own business are thinking about moving to Germany. This country is very attractive for businessmen of the whole world due to the absence of any significant restrictions on foreign capital in terms of finance and the currency in which transactions are made. But not all emigrants manage to create a successful business there, and many of them suffer a complete collapse. To avoid negative consequences during the creation of your own business in Germany, you should not only be well prepared and study all the necessary legal and regulatory acts, but you may also need to contact consulting companies for help. In addition, knowledge of German and the basics of German corporate law is required.

Any entrepreneur who has sufficient capital and capabilities for this can create a company in Germany, and the place of residence does not matter for this.

Under German law, entrepreneurship is a type of commercial activity that can be carried out by one or more individuals. Such activities in Germany include the purchase and sale of movable property and securities, insurance and banking, logistics services, freight forwarders, brokers, commissioners, processing of movable property, transportation services, etc.

The businessmen in Germany are both individual entrepreneurs and legal entities that carry out long-term activities with a view to profit.

Merchants are full and small, depending on the size and scope of their activities. Small merchants have the right to refuse to enter their company in the single trade register and are exempt from accounting. But they do not have the opportunity to conduct business under a brand name; they are forced to work only under their own name.

**Advantages of starting a business in Germany**

The advantages of starting a business in Germany include the following:

* the sale of goods and services under the brand name of Germany;
* import into the country of equipment, machinery and goods without any customs duties and VAT;
* refund of value added tax in Germany;
* availability of an account, credit cards, checkbooks in German banks;
* obtaining multiple annual business visas to Germany;
* the possibility of insurance at preferential rates provided for the German company;
* receiving various subsidies and subsidies in Germany;
* the possibility of obtaining loans in German banks;
* security of funds invested in a company created by a German company in their home country, as they are foreign investments and are protected by law.

**Forms of small business in Germany**

The most common form of small business in Germany is the civil law society (GbR). According to civil law, several founders can organize it; for this, it is only necessary to conclude an agreement between persons, according to which the business idea will be realized.

A company registered in Germany can enjoy all freedoms, fulfill the obligations of commercial companies and bear risks only after acquiring a certain value. This means that an enterprise becomes commercial only after the amount of its turnover, the amount of capital, the volume of functions, the number of employees cease to conform to simple organizational forms. The activity of the enterprise after that can be considered commercial according to the rules of the Trade Code.

Another form of small business in Germany is the Open Trade Society (OHG), where several people can be founders. OHG is not a legal entity, although it has the full right to own property, to assume various obligations, to act on behalf of the company in court. The purpose of such companies is to make a profit from their business. A written contract is signed between the founders of the company, where all the founders of the company must sign. The founders of the company may be individuals and legal entities who have the right to personally represent OHG. The management of the company can be carried out by one founder separately, or collectively, by the whole staff. All members of the company are fully responsible for the property, income and debts of the company. OHG is registered in the district court, after which the company name is entered into the unified commercial register.

The Command Company (KG) is a form of commercial activity carried out in Germany. It differs from OHG in that KG is a legal entity and has a limited share of participants in some of the founding partners. Most of all, this form of enterprises is suitable for medium-sized businesses.

In Germany, there are two more forms of commercial activity that are suitable only for large enterprises - these are joint stock companies (AG) and limited liability companies (GmbH).

Entrepreneurs when choosing a legal form for their own business in Germany should carefully weigh all the pros and cons of each of the above forms. Creating your company and choosing a form for it is an important step in the implementation of a business idea. And in order not to make a mistake, it is best to seek the help of highly qualified consulting specialists of consulting companies.

**Measures of financial support**

In order to ensure high rates of creation of new enterprises and a high proportion of small enterprises in the country's economy, in Germany at all levels (federal, land, municipal) various measures are taken to support and develop such entities. Thus, at the federal level, organizational, tax and legal conditions for carrying out commercial activities by small enterprises are constantly being improved, and special assistance programs are being implemented. The federal states are also developing and implementing their support measures. In the framework of urban regulation and issuance of construction regulations, the establishment of land and field tax rates, the creation of the necessary infrastructure and similar activities, municipalities also carry out an independent policy in the field of small business development.

What are the benefits of federal legislation (primarily commercial and tax) to small businesses? In accordance with the German Commercial Code (HGB), individual entrepreneurs are exempt from a number of responsibilities established by HGB in relation to entrepreneurs, in particular, from double-entry bookkeeping, balancing, mandatory publication of the annual report if they fall under the relevant criteria of the Regulations on Taxes and fees. Thus, individual entrepreneurs whose taxable annual income is less than 60 thousand euro or whose annual turnover is less than 600 thousand euro are exempted from drawing up the balance sheet established in the Trading Code and can calculate the profit by means of a simpler and less expensive calculation of the excess of income over expenditure (comparison income and expenses). This greatly facilitates business accounting. This mechanism is very popular, and therefore the government has repeatedly raised the cut-off threshold.

It should be noted that the status of a merchant (according to the Trade Code) is seen when there is at least one of the signs: the company employs more than five people, the property of the company exceeds 100 thousand euros, international business contacts are established, loans of more than 50 thousand euros are received or exceeded established turnover figures (for example, for retail trade - more than 250 thousand euros, for the services sector - more than 175 thousand euros, for production - more than 300 thousand euros). If an enterprise does not fall under this status, then the duties mentioned above do not apply in any case.

Within this category are even smaller entrepreneurs. Thus, special tax benefits are established for persons engaged in small-scale fishing, if their income does not exceed 17,500 euros per year (paragraph 9 of the Law on VAT). They do not have to pay VAT, trade tax or other business taxes. After calculating the excess of income over expenditure, they pay only income tax.

The concept of fishing in German law implies any statutory economic activity aimed at making profit, calculated for a long period (that is, stable, not one-time) and carried out under its own name and at its own expense (paragraph 2 of paragraph 15 of the Income Tax Act). The activity of persons of free professions (artists, journalists, architects, lawyers and notaries, etc., as well as farmer and forest rangers) is not subject to special registration with the tax authority. All enterprises, regardless of their organizational and legal form, belong either to the craft or to the free profession.

Prior to the commencement of commercial activities, a person must register with the authorized body of the municipality or (officially authorized) in the Chamber of Commerce. The registration of the craft itself is a simple and quick procedure. It is necessary to fill in a simple form on one page; submit identity documents of the applicant and the necessary tolerances (permits, concessions, certificates of professional fitness examinations - but only if they are provided for by law) and pay a fee in the amount of 15 to 50 euros. The registration authority must, within three days, submit a receipt for receipt of the application for registration of the fishery, which is the so-called fishery certificate (Gewerbeschein).

The procedure for obtaining the tolerances envisaged for the creation of so-called craft enterprises (regulated by the Law on craft activities) has been substantially simplified in recent years. So, for example, more and more craft professions are being transferred to the category of non-admission (for example, brewing, cleaning textiles) or to the category of crafts similar to the craft activities (ice cream production). The creation of any business (business, enterprise), giving a side income, is also subject to registration in the fisheries department in compliance with the same statutory requirements. Note that in Germany, about a million self-employed persons (individual entrepreneurs) have additional income (business) along with their main activity.

Self-employed persons in the liberal professions, on the contrary, as noted above, should not register fishing and pay trade tax. However, they must have an appropriate education in the profession in which they work independently. At the same time, in many cases the professional level for people in the liberal professions is very high (for example, permission is required to engage in activities in special wards for doctors, lawyers, tax advisors or pharmacists). The decision on the assignment of a particular activity to a free profession or craft is taken by the tax authority.

In Germany, there are about 1.3 million self-employed people in the liberal professions (it is noteworthy that in 2000 there were only 0.7 million people). Physicians (30%), lawyers / tax consultants (27%), free professions in the field of culture, literature, art (23%) and technical professions (18%) have the largest share here.

**CHAPTER 3. SIMILAR AND DISTINCTIVE FEATURES OF AZERBAIJAN AND EUROPEAN ENTREPRENEURSHIP ACTIVITIES**

**3.1 SWOT analysis of SMEs in Europe and Azerbaijan**

**Europe:**

**Strengths:**

* It provides more production and product diversity with less investment: Although SMEs vary according to sectors, SMEs can be installed both per person and with less investment per plant.
* It creates employment opportunities with lower investment costs: SMEs in micro scale have a working structure with 1 to 9 workers. 60-70% of these workers are straight workers without any experience. This rate is increasing in SMEs employing 9-49 workers.
* By working with labor-intensive technologies and generally by employing low-skilled employees, it contributes to lowering unemployment: Small businesses have very high levels of resistance to employment problems. Labor intensive technologies are weighted.
* In terms of their flexible structure, they are less affected by economic fluctuations: Economic fluctuations, crises and crises occur frequently in our country. Decisions made in these periods make the fragile structure even more problematic.
* They can more easily adapt to changes in demand and diversity: SMEs work closely with consumers at all levels, immediately assessing their preferences, and allowing them to move rapidly to changes in production mechanisms. Therefore, the reaction and flexibility against changes in the environment is high, KO-BIs are more prone to innovations.
* Technological innovations are more prone to take due to their flexible structure: The researches show that the time of the change of machinery and equipment in the facilities is done in the shortest time in SMEs, especially in the renewal of NC and CNC machine tools. Many businesses that operate with both conventional and CNC machines have more rates in small-scale companies. When they receive consultancy services and make the right technical choices, they also provide the restructuring of SMEs. This is at the top of their strengths.
* They play an important role in the development of interregional zones: In the region where SMEs operate, SMEs make the choice of technology by taking into account the needs of the region, consumer trends, patterns of consumption, traditions and behaviors and their employment in the region brings them to be des-single in the development of the region.
* It encourages individual savings: It is stated that SMEs transfer individual savings in the region, especially to investments in the field of industry, thus providing an important economic benefit.
* It is the supporter and complementary of large industrial enterprises: small and medium-sized enterprises and large-scale enterprises are competing with each other in terms of their various activities, the frequency of using different production techniques.
* This is the balance and stability of the economy and social structure: this is one of the most discussed. All the factors mentioned above make SMEs an indispensable element of the economy and present them as an equilibrium element.

**Weaknesses:**

* They are low in efficiency and small in size
* Market and sector information is insufficient: SMEs generally manufacture their products in the domestic market without knowing their competitors, their competitors, their market share and the trend according to the year.
* The technical information is insufficient: the biggest technical knowledge disparity among SMEs is in micro enterprises. Generally, traditional structure and technical level prevent the production of quality products.
* Technology levels are generally low: in which sector they operate, and in small and medium-sized enterprises, the technological level is generally low. Many SMEs, especially those that produce garments and textiles and food and beverages, rely on labor-intensive technologies.
* There is weakness in management and organization: One of the biggest problems in SMEs is management weakness. The manager (or the owner of the firm) has difficulty in making decisions in many areas by continuing the traditional structure, and cannot follow the changes in the sector and the market.
* There are infrastructure and information deficiencies in marketing and publicity: Today, marketing includes strategic planning and short term regional and country-wide policies. Marketing is becoming a discipline that requires more information and research. Effective promotion of the company and its products is only one of the tools in marketing. Advertising, promotion, website creation and updating are essential for the company to exist in the market.
* The quality of the products and services they produce is generally low: one of the biggest challenges for SMEs is the tür cost genellikle quality hizmet optimization. The low cost brings a significant advantage in marketing, but the low quality also reverses this advantage.
* Export potentials are low because they do not produce according to standards
* Competitiveness is low: It is difficult for SMEs to be involved in global competition and to produce original products. It is observed that in the case of subcontracting from large and large companies, KO-Bs enter less competition.

**Opportunities:**

* The enterprises that the major industries and the parent companies can outsource will be SMEs.
* With the umbrella programs, supports and grants for SMEs of the European Union, loans are allocated to countries by increasing from year to year.
* In addition, an important support fund has been allocated for R & D projects by SMEs with European Research Area Framework Programs. In the Seventh Framework Program, this amount is around 3.2 billion Euros. The Eighth Framework Program is more comprehensive.
* The emergence of new market opportunities, the establishment of broad relations with Eastern Europe, Turkic Republics, Russia and North Africa can be considered as an opportunity for SMEs. Here, KOSGEB and Sectoral Foreign Trade Companies, Sector Associations through publicity can be made, participation in fairs and if external offices can be opened, both incentives and new markets to be able to enter it seems possible. Moreover, a study will not be started for the first time with these countries, only the studies that have started will be institutionalized.

**Threats:**

* Globalization of the world economy, growth of capital circulation and rapid circulation: This situation puts SMEs in another country or countries in front of the KO-BIs in a sector. The parent company imposes the sales and production conditions on the prices determined by the companies according to the criteria it requires, in short, it suppresses them. This increases the rivals, reduces the profit margins and narrows the living space.
* Global communication and the increase of global competition: the development of communication and information technology, the concepts of production, management, marketing and sales and applications have undergone an extraordinary change. It is possible to monitor movements in any sector in the world and to draw strategies and tactics accordingly. Qualified managers and staff are needed for this. In addition, it is necessary to have the equipment required by this technology ready to form the firm infrastructure even if at minimum level.
* International economic developments in the form of economic blocks and free trade zones, or in the form of customs unions: These agreements between countries change the marketing perspective of SMEs, meet the demand or change the direction of the firms.
* Emergence of new economic forces in world markets
* The importance of the dış protectionism in movement in foreign competition: Especially in the developed capitalist countries, kapital protectionism-measures are taken against cheap goods and thus the goods of the competitors are eliminated. There is a double standard. These countries, which are critical of the protectionist measures in the counterparty, shake up kendileri free trade bu at once. In the long run, these measures, which are an embargo against SMEs, can be perceived as a threat.

**Azerbaijan:**

SWOT analysis is one of the main ways of determining the real state of the country's entrepreneurs, as this analysis will help creating favorable conditions for further development of commercial activities.

**Strengths:**

* Broad electronic government infrastructure, strong records in business environment (single-industry stores, e-government); Successful environment for business registration and ongoing reforms in other areas (credit bureau, collateral registration, RIA)
* In comparison, goods and service (electricity, water BEEPS information)
* State support for the development of SMEs Energy carriers are relatively low compared to neighboring countries

**Weaknesses:**

* Infringe SME policies on a number of government programs without formal coordination and comprehensive strategy
* Absence of state-private consultations in the SME and absence of a specialized state agency for coordination
* Lack of formal structures beyond formal cooperation; SMEs are limited
* limited access to the Bank's financing (high collateral, low-level access, BEEPS and other sources have not improved (the banking sector maintains 95% of total assets);
* The vulnerability of the monitoring and evaluation system to identify the impact of state support mechanisms for entrepreneurship
* Low work skills, especially the average level of skill
* Corruption concepts are still a barrier to business
* Difficulties in access to international and regional markets and low international trade habits

**Opportunities:**

* To adopt a strategic roadmap for the development of the national economy, determining the economic development strategy and action plan for 2016-2020, the long-term vision of 2025 and vision vision after 2025
* New export program aimed at increasing export of non-oil products
* Participation of SMEs in public procurement and infrastructure projects Preparatory phase for private credit bureaus and movable assets register
* WTO accession perspectives can increase trade
* Non-oil sector, such as agriculture and manufacturing Potential workforce availability

**Threats:**

* External economic factors (financial crisis, decline in demand in international markets, etc.)
* Pressure on the banking sector as a result of the devaluation of the manat in Azerbaijan; banks are facing a decline in capital
* Local competitiveness of local SMEs in international markets
* Dependence on natural resources during economic volatility
* Lack of independent executive bodies in key areas such as innovation and entrepreneurship
* Non-oil exports caused delays in determining national standards and technical regulations, limiting international quality certification
* Nagorno-Karabakh conflict poses a threat to political and economic stability and holds significant financial resources

**3.2 EU's support for entrepreneurship in Azerbaijan**

The development of small and medium-sized businesses has become one of the priorities. In particular, subsidies are given to entrepreneurs to support agriculture. The National Entrepreneurship Support Fund under the Ministry of Economy of Azerbaijan has allocated over two billion dollars (more than billion dollars) to almost 35 thousand entrepreneurs. The state conducts a number of other activities to create a healthy business climate. An important condition is the attraction and participation of foreign investors in the development of small and medium-sized businesses.

In Azerbaijan, entrepreneurship support can organize various banks, investors, the state, and sometimes from abroad. Despite the rapid development of the country, some of the shortcomings in this area may affect the development of areas that are likely to affect the development of this field, and the largest influence on the average entrepreneurship is the influence of the tax authorities and the state bodies directly affiliated with entrepreneurship, and sometimes the entrepreneur's independent activity can be restricted. One of the biggest problems is the entrepreneur's ability to operate independently. On the other hand, entrepreneurial activity needs some time to recognize and develop It is an undeniable fact that not only does the state expect the government to pay its taxes, difficult businesses and a number of enterprises that are not exposed to these costs. This does not allow new entrepreneurs to take steps. It also prevents entrepreneurs who can not be inspected and checked in other areas. In the end, they can result in damage to the state. For these reasons, a system that can control the ability of new entrepreneurs to have tax breaks, checks and insufficient amount of investment can help develop entrepreneurship.

When analyzing the experience of countries with extensive experience in the area of ​​private and small entrepreneurship, they can be explained by their interest in developing such business entities:

1. Independence of activity;

2. Providing mobile and operational decisions;

3. Adaptation to the local situation in a short time;

4. High interest in small entrepreneurship;

5. Low Operating Costs;

6. Success in the market for a short time;

7. Provision of long-term profitability;

8. Forming a combination of different professions and professions;

9. Maintaining the spirit of entrepreneurship throughout the activity, etc.

The growing interest of entrepreneurs in entrepreneurship in our country in recent years can be justified by the following:

1. A simplified tax system;

2. Providing intermediary services to large and medium-sized businesses;

3. Availability of an easy management system;

4. The income of one person;

5. Low management costs and so on;

The development of entrepreneurial activity leads to a decrease in unemployment. Thus, opening new jobs means more workplaces and more workforce.JPG also supports this by providing maximum support for entrepreneurship, and therefore unemployment in developed European countries is minimal.

Another advantage of entrepreneurship in the import and export role of the state is the purchase of more raw materials and the export of the finished product. There are also forms of entrepreneurship exporting services abroad, which also helps the recognition and development of the countries. For example, we can show a small entrepreneurship in the field of tourism. For homeowners, tourists and so on. There are small companies that offer services such as abroad, as well as their own countries, to bring more tourists to the country. Development of tourism is one of the important factors for the country's development.

The inflow of international financial resources is mainly carried out in the form of partial foreign investments and in the form of state aid for the development of the economy (foreign aid). Both of these forms today have a place in the economy of Azerbaijan. Private foreign investment represents in most cases direct foreign investment by large multinational and transnational corporations, as well as financial capital provided by private international banks.

Foreign companies through direct investments, the creation of subsidiaries in Azerbaijan promote the attraction of new technologies, management and management culture to the country, create the possibility of using the trading network, services and information market, contribute to the country's integration into the world economy.

In reality, foreign investors began their active activities in Azerbaijan after the signing on September 20, 1994 of the Contract of the Century, which entered the world history.

**Foreign investments in the economy of Azerbaijan**

In the CIS countries, the operation of foreign investors can be divided into four groups.

The first group is international economic organizations. These include the World Bank, the European and Asian Banks of Reconstruction and Development (EBRD, ADBR). Thus, the World Bank provides loans on favorable terms for 35 years to governments, local governments and reliable banks in countries where GDP per capita is below $ 865 a year.

The second group is transnational corporations (TNCs). They account for more than half of global investment. TNCs act as strategic investors. They create in the CIS countries their enterprises with 100% foreign investment (FDI) and mixed enterprises (JV). Thus, the Swiss-Swedish corporation ABB has launched the production of economical turbines in Russia. Foreign investors, having bought a controlling stake, reconstructed Russian paper mills in Segezha, Kotlas and other cities.

One of the first places to invest in the manufacturing industry took tobacco TNCs. In some CIS countries (Ukraine, Moldova, Uzbekistan) they control more than 70% of the market, construct new factories in Kiev, Samarkand, St. Petersburg. They started to produce cigarettes with purely national names "Cossack", "Hetman", "Ataman". However, it should be noted that TNCs are not interested in the development of competing branches of high technology.

The third group - financial investors (investment funds and banks). They acquire, as a rule, high-yielding and less risky securities, at the same time they do not have any production technologies. Receiving such funds allows to improve the balance of payments of the country, pay arrears of taxes and wages, cover the budget deficit. However, a high proportion of portfolio investors (portfolio investment is the purchase of securities without the right to participate in the management of a firm) with short-term market interests make the budget and the entire stock market highly dependent on the financial and economic situation on foreign exchanges. In order to prevent such incidents, one should increase attention to domestic investors and, if possible, limit external portfolio borrowings.

The fourth group is small and medium business. He does not have large financial resources and therefore focuses on trade and intermediary operations. This sector needs special control. In some cases, it is represented by foreign firms with a dubious reputation.

As a result, we can conclude that the country needs not any kind of investment, but only such that allows attracting modern new technologies, equipment and components that are not manufactured in the CIS.

Also need to think about:

* first, the nature of the capital invested;
* secondly, in which industries and regions it is sent;
* thirdly, the investment conditions, including the principles of profit distribution when creating joint ventures, interest rates on loans, terms of capital investment, the creation of new jobs.

Speaking about attracting foreign investment, it is necessary to keep in mind that the interests of the state and foreign investors do not coincide.

The interests of Azerbaijan are aimed at solving the following basic provisions:

- Restoration and renewal of its production potential with the introduction of new technologies.

- Saturation of the consumer market with domestic high-quality and low-priced goods, pursuing a policy of restricting imports.

- Development and implementation of the restructuring of its own export potential.

- Shifting the center of gravity from expanding the export of raw materials to increasing the export of competitive labor-intensive and high-tech products.

**Ali Nino case**

Nigar Kocharli says that Ali and Nino, the largest bookstore in Azerbaijan, benefited from the Small Business Advisory Program of the European Bank for Reconstruction and Development (EBRD) and funded by the EU Entrepreneurship Initiative: "The key issue was our IT equipment," entrepreneur. "Our computers were outdated and did not comply with our requirements Nigar Kocharli applied to the EU-EBRD Small and Medium Enterprise Support Program, which allows the creation of new computers and the online bookstore for customers, from 2009 to 2016 has provided 12 million euros (€ 222m) to companies that have created 142,000 new jobs for businesses.

During the period under review, foreign investments to Azerbaijan have come from Turkey, the Netherlands, Great Britain, France, Iran, Japan, Russia, Norway and others. Provided by some countries.

Foreign investors' interest:

- Getting profit through the development of the domestic market.

- Development of rich natural resources production.

- Use of experience and cheap labor, as well as local scientific and technical potential.

As a result, our state is facing a very difficult task: on the one hand it is necessary to involve foreign capital in the country and to create certain incentives for it; on the other hand, a system of economic regulatory measures aimed at the implementation of public objectives.

An important factor in the dynamics of foreign investment is the volume of the domestic market and the diversity of raw materials. Significant incentive for attracting foreign investment in the Republic of Azerbaijan is the diversity of raw materials, in particular oil and gas reserves. Currently, the inflow of foreign investment is mainly focused on the domestic market and raw material oriented production. Therefore, it is important to attract foreign investment to the processing industry in the future.

**3.3 Small and Medium Business Development Agency**

Azerbaijani President Ilham Aliyev signed a decree on the establishment of the Small and Medium Enterprises Development Agency. Commenting on this, Namik Shalbuzov, an expert of the Center for Economic Reforms and Communications, said that the SME Development Agency will support the development of small and medium-sized businesses in the country, and small and medium-sized enterprises providing a wide range of services for small and medium-sized enterprises will regulate and coordinate relevant public services. The created entity will act on the status of a legal entity with the state law under the jurisdiction of the Ministry of Economy.

According to N. Shalbuzov, some SMEs are beginning to ignore the current situation leading to the demands of the law, business risks and sometimes unsuccessful attempts. One of the SMEs' low interest in consulting services is their lack of knowledge, and the other is the difficulty of accessing business consulting services. In Azerbaijan, various government agencies provide various services to SMEs (including consulting, sales, etc.) within their authority. Nevertheless, according to international experience, the provision of SMEs with these services through a single center enables them to develop their services more efficiently and thus develop. Therefore, the establishment of the SME Development Agency is very important.

With the help of the newly established Agency, SMEs will serve in a number of ways, including improving management levels, eliminating inequality and improving SMEs performance.

It should be emphasized here that the Agency's performance will be effective in terms of functionality. Thus, based on the best international experience and coverage of all regions of the country, effective measures will be taken here. "Small and Medium Business House" providing large services to small and medium entrepreneurs (training, consulting, information, business incubator, innovation center, financial services, etc.) will be created in big cities and regions Coordinated by ASAN service centers and authorities , thus, with the help of regional offices of the Ministry of Economy there are no such centers.

Together with the business community, the SME Development Agency will regularly review the problems of businesses in relevant sectors, discuss relevant structures and seek ways to address them. The SME Development Agency will cooperate with relevant government agencies and educational institutions and will pay special attention to the development of applied sciences.

The impact of the SME Development Agency on GDP in 2020 will amount to 200 million manat. According to strategic roadmaps, SMEs share 15 per cent of GDP in 2020, 20 per cent of employment, and 10 per cent in non-oil sector exports. According to N. Shalbuzov, SME Development Agency will play a key role in this area.

According to Shalbuzov, SMEs successfully operate in South Korea, Poland, Turkey, Germany, Estonia and other countries.

It should be noted that the establishment of the Small and Medium Enterprises Development Agency of the Republic of Azerbaijan "Strategic Road Map at the Level of Small and Medium Sized Enterprises for the Production of Consumer Goods" is the next important step in the complex, non-renewable economic reform process led by President Ilham Aliyev, an increase in the number of SMEs essential for the development of the oil sector, which creates favorable conditions for the sustainable regulation and effectiveness of activities.

**Creation**

The Small and Medium Enterprises Development Agency of the Republic of Azerbaijan was established by Decree of the President of the Republic of Azerbaijan dated December 28, 2017. The Charter and structure of the Organization have been approved by the Decree of the President of the Republic of Azerbaijan. State of 26 June 2018.

The Agency is a legal entity that supports the development of small and medium-sized enterprises in the country, provides broad services to SMEs, coordinates and regulates the services of state bodies in this area and operates under the auspices of the Ministry. Economy.

The Supervisory Board consists of seven members. The Agency's Supervisory Board acts as Deputy Minister of Finance, Deputy Finance Minister, Deputy Minister of Taxes, Labor and Social Security and Agriculture, Deputy Chairman of the State Agency for Citizens Service and Social Innovations under the President of the Republic. and the President of the National Confederation of Entrepreneurs (Employers) of the Republic of Azerbaijan. Chairman of the Supervisory Board of the Agency, Minister of Economy. The current management of the agency consists of 5 people.

The agency structure consists of:

- Office of the Small and Medium Business Development Agency of the Republic of Azerbaijan;

- Small and medium business;

- centers for the development of small and medium enterprises;

- state-entrepreneurship development center;

- Funds for the development of small and medium enterprises.

According to the agency's charter, the purpose of the Agency is to strengthen the role of SMEs in the country's economy by applying SMEs to SMEs regulation, as well as flexible management systems and effective coordination mechanisms. creating favorable conditions for the development of entrepreneurship in the region and creating favorable conditions for attracting local people, coordinating the activities of public and private sectors in this area. and foreign investments in this area.

**Strategic review**

Providing sustainable economic development in Azerbaijan, increasing the share of small and medium enterprises in economic development, increasing their share in GDP and employment, increasing competitiveness, providing SMEs with affordable and efficient access to financial resources and SMEs, access to markets overseas.

**Conclusion**

In the modern economic environment and in the enterprise, entrepreneurial activity remains an important part of the protection, thereby increasing the living standard and economic well-being that lead to economic development. Especially in recent years, a rapid revival has occurred in Small and Medium Entrepreneurship in our country and Europe. At the same time, taking into consideration the impact of these activities on the economies of the countries, the European Bank for Reconstruction and Development (EBRD) has directed the European Union to various reforms, investments and more attention in this area. effective regulation. Thus, in many European countries as well as in our Republic, small and medium-sized enterprises play an important role in GDP growth and reducing unemployment. For the majority of emerging European countries this sector is the basis of the economy.

Small and Medium Entrepreneurship activities, one of the key areas of economic activity and key concepts have been studied by different researchers at different times and have proven that the development of this sector will lead to economic development. National economies, nature, geographical, cultural, social, etc. of EU countries. Together with the developmental features. The development and distinction of this sector, the researchers' conclusions and their statements from time to time have contributed to this field in the modern economy. All this shows that Small and Medium Entrepreneurship activity has a positive impact on the overall economic development.

In any case, entrepreneurial activity requires a state policy that promotes productive and sustainable development for economic development. In this regard, it is one of the key priorities for the development of this field by creating a mechanism that does not harm the cultural and natural resources.

Each type of entrepreneurship individually plays an important role in the development of the business sector and the country's economy. The most popular among them, Central and Central Entrepreneurship, has found its place in the economic model of Western European countries, which is aimed at the development of this sphere in our Republic.

The entrepreneurial activity in Azerbaijan is non-oil sector and the development of non-oil sector is one of the priorities of the state in recent years. This is a strategic roadmap for the development of industry, the rules that are in line with the new requirements, and the relevant state agencies that have started to regulate this are, in turn, proving it.

In recent years, significant changes have been made in the field of SMEs in the country. At the same time, innovative steps should be taken at the international level for development in this area. Therefore, the introduction of the European model in a country based on the development of the European Union countries can provide competition and international renovation in this area. Therefore, it is important to take the following measures:

- Facilitation of employment;

- issuing licenses and ownership of their property;

- Tax incentives for new businesses. Review material and time considerations;

- investing in the sector not only in investments but also in regions;

- to ensure that the tax authorities have direct control over the work regime with employers;

- Promote entrepreneurship in order to ensure the lightness of the inspection system for small entrepreneurs;

- removing the bureaucracy from the expansion of the workplace, the opening of the branch and branch office, and controlling only one such entity;

And lastly,

- Significant impacts on the development of the educational sector of educated staff in the labor market;

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