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- Emerging Young Entrepreneurs INTERREG Slovakia-Hungary
- International SME Convention 2019, Newcastle
- UNCTAD’s Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship, Geneva
- USASBE Conference on Entrepreneurship Education 2020, New Orleans
Distinguished Readers and Friends,

On 29-30 March 2019 the 17th International Management, Entrepreneurship and Benchmarking Conference held at the Óbuda University in Budapest. „Organisations in the age of the Society 5.0” - is an international conference aiming to provide a forum for presenting and discussing novel aspects of and data about relevant fields of research and practice. We strived to provide an opportunity for exchanging knowledge and premonitions regarding the topics to be addressed throughout the event. TOPICS within the scope of the conference included:

- Clusters and Networks
- Social and Economic Sustainability
- Human Resources Management
- Industrialisation
- Regional Development and Politics
- Small and Medium Sized Enterprises
- Applied Marketing
- Financial Affairs
- Informatics

Key note speakers were POTOČAN, Vojko (University of Maribor) on Organizations in the age of the society 5.0: an overview and new research directions, SZABÓ Antal (ERENET) on Entrepreneurship in the age of Industry 4.0 and SZŐNYI, Andrew (Toronto University) on Entrepreneurial Mindset: - A Prerequisite to Industry 4.0. Some 50 experts participated in this Conference including 15 as member of the ERENET.

This special issue of the ERENET PROFILE we devote to United Kindgom. In spite of its difficult time because of the ongoing process and the stalemate in BREXIT, still the UK is considered as one of the best entrepreneurial environment among the 190 countries analysed by the World Bank. UK ranks on 9th place following New Zealand, Singapore, Denmaerk, Hong Kong, Republic Korea, Georgia, Noway and the United States.

The main paper by David SMALLBONE, who is a Professor of Small Business and Entrepreneurship and Associate Director of the Small Business Research Centre at the Kingstone University. He is a Past President of both the International Council for Small Business and Entrepreneurship (ICSB) and also the ECSB. He is an Associate Editor of the Journal of Small Business Management and since 2006 is an active Member of the ERENET. He has been involved in research relating to SMEs and entrepreneurship since the late 1980s. One of my main research interests is entrepreneurship in transition economies. Pål M. VIK is the Director, of the Community Finance Solutions at the University of Salford. Antony Charles ROBINSON devoted his last 20 years to founding and advising creation and development of microscale enterprises in UK and overseas. Antony Robinson is the creator of Enterprise Rockers. Johanna MITCHELL specialises in providing expert and multi-lingual education support to both UK and expat families. She has over 20 years’ experience in education and management including international roles in Whitehall, UK government and as head of a small, private school. The final paper on the current political and economic process, the BREXIT is a summary by the Scientific Director of ERENET, Antal SZABÓ. He contacted nearly 20 scientific experts, academicians, heads of institution and NGOs. However, due to the delicate situation nobody took the initiative and the courage to analyse this question. This is why and “outsider” tried to do his best to address this issue.

To further papers are a summary on the barriers for SMEs in the EU single market by Torsten A. ANDERSEN, and the Part II. of the paper on Looking Consciously into the Future: Where to Live, What to Do by Anna KUZNETSOVA and Vladimir EFIMOV.

The election to the European Parliament is being held between 23 and 26 May 2019 and is the 9th parliamentary election since the first direct elections in 1979. In the UK the Brexit Party triumphs, while Tories and Labour suffer heavy losses. As of 2019, a total of 751 Members of the European Parliament (MEPs) represent more than 512 million people from 28 member states. We all look forward to see the new political wind rewing the EU. The great debate will be migration, environment, security, economy and the future of the EU.

Dr. Antal Szabó
Scientific Director of ERENET
ENTREPRENEURSHIP AND PUBLIC POLICY:
SOME REFLECTIONS FROM ECONOMIES IN TRANSITION

ABSTRACT

The analysis of the role of entrepreneurship policy in the transition context needs to adopt a broadly-based view of what constitutes Government policy. In terms of entrepreneurship policy it is important to emphasise, that policy is designed to address is typically not the same in all parts of a country, or in all countries. The government actions can affect the survivability and profitability of businesses within its territory.

Few Western researchers viewed transition partly because the data available was full of problems nor was it accurate. The Author provided a model of entrepreneurship and economic development and public policy intervention to support entrepreneurship. The diagram emphasises the role of productivity growth as a factor influencing GDP growth. It shows the three main processes by which entrepreneurship can attribute to productivity growth. These processes are the innovation, competition and the so called “productive churn”.

The paper describes the policy change over time, highlights the regional dimension, and draws attention to the role of support institutions.

The importance of context becomes particularly vital where policy transfer is under consideration. Attempts to transfer policies that have been successful in mature market economies into developing countries are always likely to be problematic.

Keywords: Entrepreneurship, Public SME Policy, policy transfer, role of SME support institutions, countries in transition

JEL Classification: M13, L26

INTRODUCTION

One of the emerging themes in the current literature of entrepreneurship is the call to pay more explicit attention to the context of policy. In this regard we follow the work of Friederike Welter (Welter, 2011; Welter and Gartner, 2016), whilst applying the concept to public policy rather than to the entrepreneurship process. In many respects the context for entrepreneurship and entrepreneurship policy has been recognised previously but has not been given quite the same attention. For example, the needs, the strengths, the weaknesses, the threats, and the opportunities facing local, regional and national economies inevitably brings out key similarities but also many differences.

In terms of entrepreneurship policy, the problem that policy is designed to address is typically not the same in all parts of a country, or in all countries. For example, the current rate of start-up businesses, the nature and extent of the existing business stock, the level of innovation of firms within the region are all features that can vary considerably. That being the case, the type of policy itself that one needs to support the future development of these territories can vary. For example, some years ago the author undertook an evaluation of a high growth start-up programme in the UK. The focus of the programme was on start-ups with high growth potential, specifically with a £1 million turnover by the end of year three. In this regard, there were major differences between the English regions, in terms of the context for new business start-ups. In the North East of England, for example, the rate of business start-up was very low, whereas in the South East of England start-up rates were several times higher. As a result, the policy priorities for these two regions were very different (Smallbone et al., 2002).

This paper explores the context for entrepreneurship policy, referring particularly to economies in transition. The reflections on transition are based on some 20 years of research in Central and East Europe (CEE), Former Soviet Union and, in recent years, in China. It is argued that the increasing interest in the role of context in explaining entrepreneurship, and in this case shedding light on differences in entrepreneurship policy, places the subject of entrepreneurship in transition in a much more mainstream position than it did in the 1990s.
In former times, few participants in major entrepreneurship conferences showed much interest in transition studies. Few Western researchers viewed transition as an attractive topic partly because the data available was full of problems nor was it accurate. Simple questions, like the number of businesses registered, had to be qualified in many different ways. Fortunately not all researchers at this time were purists, took the view that we can only do the best that we can with the data that was available at the time. In addition, it was felt that there was a lack of theorisation in transition studies. However, this has changed because the growing emphasis on the context for entrepreneurship implicitly draws attention to differences in the external conditions in different countries, regions and localities. That being the case, studies of entrepreneurship in transition represent a particular, specific social context. As a result, it is argued that such studies could become a very useful and integral part of the mainstream literature on entrepreneurship. It is in this vein that the paper explores the relationship between entrepreneurship and public policy, paying particular attention to these issues in the former transition economies.

Although entrepreneurship involves the creativity, drive and desires of individuals and groups of individuals, rather than being the creation of the state; nevertheless government is a major player in the external environment in which business operates. As a consequence, the actions of government can affect the survivability and profitability of businesses within its territory. The transformation of CEE and former Soviet republics which began in about 1989-90, has required an enormous change the role of government compared to what it was previously. During socialist times the state was the main business organisation; these days its role is to focus on creating an enabling environment in which business (particularly small and medium business) can grow. It also must be kept in mind that the transformation that has taken place is a fundamental one, affecting not just the structure of the economy but also seeing major change in the structure of society and the role of institutions. began, this is an appropriate time to take stock and reflect on the role the state played in this process

In view of the time that has elapsed since the process under socialism the economies where highly centralised which has been a key element in the reform process. An initial observation is economy, which is a very highly centralised system and is one of the features it has been necessary to change ever since the transformation process began. Since the author of the current paper published an article on more or less the same title in 2001, we have a benchmark where we can see to what extent the role of government has changed (Smallbone and Welter, 2001).

Following the introduction, the rest of the paper is structured as follows: the next section focuses on defining some of the key terms and concepts; the third section discusses the rationale or public policy in this area; the fourth section considers develops the change over time and space; the fifth section presents the regional dimension; this is followed by a major section on the role of institutions; followed by some conclusions.

DEFINING KEY CONCEPTS

A basic definitional issue concerns the interchangeability of the terms “entrepreneurship” and “SME”. In most Western countries, where public policy has a role in relationship to small business and entrepreneurship development, the term “entrepreneur” is used in a generic way and has been taken up, not least, because in many countries the economic structure of the country is almost completely dominated by SMEs (in terms of numbers particularly). As a result, it is not a very discriminatory tool to incorporate into the policy process. Entrepreneurship, on the other hand, is much more distinctive since it applies to a minority of small business owners. In addition, entrepreneurs and entrepreneurship is now widely recognised as a stimulus to economic development and growth. The problem is often that the conceptual definition can be clear but it can be very difficult to obtain the data that one requires in order to operationalise the concept. For example, it is much easier to find data on SMEs but it is much more difficult to find databases where entrepreneurs are the unit of analysis.

One of the discussion points with respect to so-called entrepreneurship policy is that its influence on the development of entrepreneurship may be considerably less than the results of government policies and actions across a much wider range of topic areas. Smallbone and Welter (2001) identified a number of specific roles which government can play, and does play, in influencing the nature and extent of entrepreneurship development. First is through the influence of government on the macro economic environment, although of course this can vary enormously between countries according to their size, currency, trading patterns, and so on. Certainly in more mature market economies this is a key effect of government.

A second influence is through the effect of government regulations that can impact on business and entrepreneurs. The suggestion is that regulations can have a negative influence on small businesses, in particular because of the proportionately effect of compliance costs comparing small firms with larger firms. It is also the case that often these effects are typically inadvertent rather than being deliberate. The regulation issue is present in all
countries because of the need to provide some framework for things like food hygiene, health and safety, and so on. However, arguably the countries with the entrepreneurs that make the most noise about it, for example countries like the UK, are not the ones where the negative effects of this type of are strongest. In contrast in countries such as Belarus, for example, many entrepreneurs are crying out for a more systematic and consistent approach to regulation.

The third influence is on the development of formal institutions that are an integral part of a market economy, which include banks and other financial institutions, the court system, and so on. Government actions can also affect what Douglass North (1990) described as informal institutions, by which he meant social norms and attitudes and a wider set of cultural influences. Although governments cannot determine the development of these informal institutions, there are a number of ways in which this influence can take place. Perhaps the best example is the education system. One would expect these different roles for government to change over time as the transition process proceeds.

The fourth influence is that of direct support measures. In practice, most commentators would typically identify direct support measures such as training, information provision and possibly finance as entrepreneurship policy (REF). But, as seen above, whereas such measures would only be accessed by a minority of firms, there are many other ways in which government policies and actions impact on the vast majority of businesses.

Lastly is the influence is the influence that governments can have on informal institutions such as the attitudes of the population towards entrepreneurship where government influence is through its actions as well as policies.

WHY HAVE AN ENTREPRENEURSHIP POLICY?

The economic rationale for public policy intervention to support entrepreneurship is captured in Figure 1. The diagram emphasises the role of productivity growth as a factor influencing GDP growth. It shows the three main processes by which entrepreneurship can attribute to productivity growth. The first is through innovation, new ideas and new products brought to market; the second is through increasing the competition. The emphasis placed in this paper on the importance of context, when considering entrepreneurship policies, is also relevant here since the case for entrepreneurship policy can be affected by current levels of business start-up and business growth in a country or a region. The third is what economists call “productive churn”, which is the relationship between the productivity of firms exiting the market compared with the productivity of new entrants. It is argued that if productivity is raised as a result of these processes then competitiveness is improved.

![Figure 1: Entrepreneurship and economic development](source: UK Small Business Service)

1 Diagram featured in a presentation at the SBS Conference, 2005.
At the same time, there are circumstances in which entrepreneurship policy may be much less justified. The key argument here is the questioning of the effectiveness of entrepreneurship policy, in other words, perhaps the competition in the market, which arguably keeps businesses on their toes. While similar arguments may be used to justify an entrepreneurship policy in transition economies, there are additional considerations. These focus on the role of entrepreneurship in facilitating the broad structural changes in the economy, which include introducing competition into the labour market, which previously had been dominated by large SOEs. However, with the collapse of many SOEs, this forced the former employees of these enterprises into the labour market for private enterprise. Another example is the effect on the pace of transformation in some of the regions. The effectiveness of any policy intervention can be strongly influenced by the methods used to implement it. Indeed, throughout the world there are critics questioning the effectiveness of this type of policy intervention. In essence, this reflects the difference between theory and practice.

One issue is the level of awareness that entrepreneurs have of what policy support is available. Another is the question of the lack of trust that can often occur between the business community and business advisors, particularly when these are housed within the public sector framework. Unfortunately evidence available to accurately and robustly describe the effectiveness of entrepreneurship policy is limited, not least because of the lack of commitment to evaluation on the part of providers of the support.

### Change in policy context over time

In the initial period of transition, entrepreneurship was far from the minds of public policy makers. This is firstly because there were more important priorities in terms of economic policy, and secondly because there was a common view that private enterprise that was booming did not need any stimulus on the part of government. Public policy makers adopted a largely ‘laissez-faire’ attitude towards the rapidly expanding private sector (Smallbone and Welter, 2009). The main reason for this is that the explosion of economic activity that occurred did so without any direct intervention by government. Instead it reflected the response of potential entrepreneurs to gaps in the economic structure that existed under socialism. Manufacturing was dominant and what service activity existed was typically business services integrated into the large SOEs. As a result, the collapse of the former Soviet Union led to opportunities for entrepreneurs being created in business services, as well as in personal services that had not been part of the economic structure during Soviet times.

The Russian Federation is a good example where the approach to policy has varied considerably over time for a number of reasons. Some of these are political and some are associated with changes in the business environment, of which the 1998 crisis is perhaps the clearest example. In this context, Chepurenko (2011) divided SME policy in Russia into phases. The first is from 1990 through to 2010, which Chepurenko characterised as the period where a generalist, rather than a targeted, approach was adopted. This was also a period when most of the ideas on how to set up policy support for SMEs came from the World Bank and other foreign experts and. Certainly in this first phase of policy in Russia there was something of an implementation gap. Although policy was formulated and certain sectoral priorities were identified for state support, in practice the state never had the real ability to implement the policies.

Various institutions were established during this period, including the Russian Foundation for Entrepreneurship Support and Competition Development, which was established in 1993. In addition, in 1995, a special state agency area – the State Committee for SME Support and Development – was established to conduct and supervise state activities in the SME field. This committee was supposed to be driving the SME federal support programme and to implement the international technological assistance to the Russian Federation in this area. At this time, SME policy in Russia was delivered by a variety of state, non-government and private organisations. The role of government was typically seen to fund access to information, advice and training for start-ups, as well as co-finance regional funds and provide loan guarantees to commercial banks.

During this period, from 1990 to 2010, a small business support infrastructure at a federal level was emerging. Even going back to 1997-8 there were 74 regional SME support funds functioning, and several business incubators as well as education and business centres. Although the foundations of state support for business were laid in the 1990s, the 1998 crisis, which hit Russian business very hard, impacted on the government’s commitment to SME policy. The result was that state policy was essentially withdrawn because resources were required for more immediate purposes. In addition, policy started to become more selective in terms of the businesses that were assisted.

The second main period of policy development in Russia took place between approximately 2010 and 2019. Chepurenko and Vilenski (2016) referred to this second period as one where targeting was the order of the day. In
many respects, this followed SME policy in Western countries where targeting typically focused on growth businesses. Although Russia was largely in step with the policy trends in the West, this was despite the fact that most foreign experts left Russia at the time of the 1998 crisis.

Alongside political expediency and the changing needs of SMEs over time, there was also almost certainly an issue of competence. Policy makers in former transition economies, such as Russia, had little experience of policy development and implementation within a market context, and that did produce quite a number of difficulties. Moving the SME policy agenda forward over time led to some parts of the existing policy to be dropped and others to be added. Federal Funds for Entrepreneurship and Competition support was closed in the early 2000s, and a series of legislation was introduced in order that acceptable definitions could be applied and used as a basis for funding applications.

THE REGIONAL DIMENSION

Regional variations in new firm formation and SME development are found in most countries, whether they are mature market economies or economies in transition. This pattern reflects the uneven distribution of both needs and resources for SME development in different regions. In many ways the concept of region is itself an integrating concept since it reflects a variety of characteristics which, over a period of time, interact with each other. Most of the characteristics of context as defined by Welter and others reflects this integrating role. At the same time, the core periphery contrast in regional development is broadly similar in transition economies to what is found in mature market economies. In addition, the transition context typically involves a slower rate of transformation in peripheral regions than in the capital city and its immediate environs. At the same time, the transition context provides some additional dimensions, particularly those relating to differences in the pace of transformation.

For SMEs in particular, the local or regional dimension is a key element in the notion of context. It is reflected in marked variations between regions in the number of business start-ups and also in the performance of businesses once they have been established. This applies in mature market economies but also applies in transition economies, where regional differences in the pace of transformation can reinforce the core periphery contrasts that one can identify in most countries. In the case of transition economies this may also include marked differences in the pace of the transformation processes themselves, reflected in the extent of privatisation.

Clearly the extent of spatial variations in SME and entrepreneurship development will tend to be greater in the case of larger countries than in the case of very small countries such as the Baltic States. A recent OECD report (2015) identified strong spatial variations in SME and entrepreneurship development across the regions of the Russian Federation, as well as differences in the policy regimes. As in other countries, spatial variations include both interregional differences but also urban-rural differences, which typically cut across the regional divides. Both interregional and urban-rural contrasts reveal some regions where the number of new firms is pitifully low. These different regional contexts reflect spatial variations in the infrastructure, which includes physical infrastructure but also communications and transportation infrastructure. Although in most countries the regulatory framework is national rather than regional, at the same time in some countries such as China it is reported that the interpretation and application of regulations is not uniform across the country. In the case of Russia, the OECD report identified a number of key areas where local or regional programme tailoring needed to occur. These included finance programmes, labour market and skills programmes, amongst others.

ROLE OF INSTITUTIONS

Adopting a broad view of what constitutes the influence of government on entrepreneurship development, the institutional framework, and particularly the behaviour of institutions within that framework, is arguably the most important factor. In this regard, many scholars have based their analysis of institutions on the work of Douglass North (1990), who described institutions as the incentive structure of a society because they assist in reducing uncertainty and risk as far as individuals are concerned. This tends to reduce transaction costs connected with entrepreneurship. North makes an important distinction between formal and informal institutions. Formal institutions include much of the infrastructure for market development, which includes both privately-owned and state bodies, such as banks, in the first instance, and regulatory bodies in the second. Clearly the role of the state is direct in the case of formal institutions because many of these are under the control of government. Informal institutions (which refer to social norms and codes of conduct). These may be sector specific or at least sector affected) are also, in many cases, under the influence of government whilst they are not determined by government.
Institutions can act as enabling and also as constraining forces for entrepreneurial behaviour. In all countries the behaviour of entrepreneurs is influenced by the appropriateness and operation of formal institutions, for example the legal framework which regulates market entry and exist, as well as the development of new ventures through contract and bankruptcy laws. These may vary in impact because of differences in efficiency and application. Informal institutions, on the other hand, are likely to vary much more between countries.

A good way of assessing the effects of institutions on entrepreneurial behaviour is to examine institutional change. Institutional change is an integral part of the process of market reform, as an economy adapts from an institutional framework that was developed under socialism and central planning to one that is focused on a market-based system. An example is the initial reforms in the former Soviet republics, which made it impossible for private enterprise to exist. At the same time, what followed tended to vary between countries, reflecting the strength of commitment to market reform essentially.

The role of institutions as enablers and constrainers on entrepreneur behaviour is international and not confined to transition economies. However, clearly the relationship between institutions and the behaviour of entrepreneurs will be different in different contexts. An example would be regulation in countries like the UK and other mature market economies. Entrepreneurs and their representatives are continually pressing for a reduction in levels of regulation and the nature of regulation. In the transition context, particularly in the early stages, that many entrepreneurs would be very pleased to see regulations tightened and more systematically and prominently applied.

One might also suggest that when the institutional framework is operating in an appropriate and consistent manner, institutions can be said to be an enabling force for entrepreneurship development. Essentially, this is because of their effect on reducing transaction costs and facilitating the meeting of buyers and sellers, which is central to a market based economy. On the other side, a deficient legal structure (to take one example) can constrain the development of productive entrepreneurship but rather the uncertainty remains.

In a context where the business environment may be characterised as containing major institutional deficiencies, both the types of entrepreneurship identified but also their business behaviour is likely to be heavily influenced by the external environment. Since the state typically has a strong influence over the external environment, this is a very important way in which government policy and government actions can impact on productive entrepreneurship development. A return to North’s distinction between the formal and informal institutions is helpful because typically informal institutions change much more slowly than formal institutions, keeping in mind that the informal institutions includes social norms and cultural factors.

POLICY TRANSFER

The importance of context becomes particularly vital where policy transfer is under consideration. Attempts to transfer policies that have been successful in mature market economies into developing countries are always likely to be problematic. Xheneti (2005) has investigated issues of policy transfer in countries that are hopeful of future EU membership. Albania, for example, has developed entrepreneurship policies to fit the EU model, which may or may not reflect the priorities for Albania’s development. In many respects, China has a good approach to policy transfer. Typically in China a consultant would be asked to identify successful interventions in other regions and other countries, and ascertain why the intervention has achieved success in that context. Typically Chinese policy makers would then insist in making the transfer from one context to another, because they argue that they are in a stronger position to understand the adjustments that will be necessary for the policy to work in China.

Common sense suggests that the extent of differences between the source and destination regions for policy transfer is a major influence on the success of that transfer. In particular, the institutional frames are likely to reflect the context in which they are situated. It is not surprising that when government policies are transferred from one country to another, they do not always work in the way they are intended. This can be illustrated with respect to attempts to transfer policies from the more advanced mature market economies into China. This example is chosen because the extent of the differences between the two cultures is considerable.

This author had the opportunity to work in China as a consultant to the Chinese government, on the development of SME support systems. There were a number of activities that were undertaken, including one that focused on the development of a subsidised consultant scheme, which ran successfully in the UK 25 years ago and has been operating in some CEEs. The problems experienced in this project were fundamental. The idea behind the subsidised consultant scheme is to prime the consultancy market from a small business point of view, in order
to help to improve their performance. On the other side, the aim is to kick start the supply side of the small firms consultancy market through only using accredited consultants to deliver the programme.

The first problem was that the national accreditation scheme for consultants in China was still evolving and not yet sufficiently developed or wide spread to be incorporated into the project. The second difficulty was more fundamental than this, referring to financial transfers between the federal government and the city and provincial governments. In China the finance ministry will only pay the local provincial authority once a project is completed. What this meant was that the amount of subsidy a business would receive through the programme could not be determined until the project was complete. Not surprisingly, very few businesses were willing to participate in the project because of the uncertainty this created.

A rather surprising aspect of the international economic development consulting market is the domination by a small number of consulting companies, such as Lancashire Enterprises. It is an unusual situation because the number of full time employees in these consulting companies is typically very small; possibly four or five only. But at any one time there could be several hundred consultants working on short-term contracts. As a consequence, what is delivered can be strongly influenced by the background and experience of the short-term consultants.

CONCLUSIONS

The emphasis currently given by entrepreneurship scholars to the importance of context broadly defined also applies in the case of entrepreneurship policy. It is important to emphasise that analysis of the role of entrepreneurship policy in the transition context needs to adopt a broadly-based view of what constitutes government policy (Smallbone and Welter, 2001). If the term is confined to policies that are focused specifically on entrepreneurship development then the conclusion is likely to be that impact is marginal in terms of the country as a whole, and only a small proportion of potential entrepreneurs are likely to follow a successful programme. As a result, it is necessary to adopt an approach which defines the influence of the state in a much broader way with a wider set of government policies and actions.

From a theoretical point of view, institutional theory represents an attractive and seemingly appropriate framework for incorporating public policy and government influences, using North’s distinction between formal and informal institutions. Whilst the role of the state is direct in the case of formal institutions, in the case of informal institutions this influence is perhaps more subtle and likely to have an impact over a longer period of time. Institutional change is a key part of the transformation process, which clearly government is at the heart of.

Institutional theory needs to incorporate the scope for reciprocity (Welter and Smallbone, 2011). In other words, it is not just a one way, determinist process where the institutional frame is shaping and determining the behavioural response of entrepreneurs and potential entrepreneurs. A contemporary view incorporates the role for agency as well as structure when seeking to explain entrepreneur behaviour. In other words, entrepreneurs can have some influence over the institutional framework, as well as their behaviour being shaped by the structure. An example may be taken from post-Soviet economies where the labour laws were drawn up at a time when the SOEs had responsibility not just for employment, but essentially a social security system also. As these SOEs closed and/or substantially restructured, the labour laws that existed proved to be inappropriate. Although the effect was initially informal, over time legislation was introduced to formalise a new form of labour contracts. In these circumstances, it may be argued that the emerging private sector contributed to the reform of the labour laws. A further example may be taken from China, where a small number of entrepreneurial individuals were able to initiate change in the institutional context, leading some authors to describe them as institutional change agents. Their role was typically to force the Communist Party to accept changes that hitherto had been illegal.

Finally, context has a very specific application in relation to entrepreneurship policy; it is not just a theoretical notion. Its specific application is apparent in the case of policy transfer. Where policy transfer is to be effective it needs to be sensitive to the context in the source region or country in relation to the context in the destination country.

REFERENCES


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LEVERS FOR SCALING UP MICROFINANCE – THE CASE OF THE UK

ABSTRACT
Microfinance Institutions (MFIs) play an important role in economic development by financing viable businesses that otherwise would go unfunded. However, scaling up the microfinance sector and its impact in a sustainable manner has proven challenging in industrialised countries. MFIs in these countries serve relatively small markets, often target vulnerable and excluded clients, and have limited scope to price in risk due to more price sensitive customers and interest rate caps. This paper critically discusses the pathways for scaling up microfinance in Developed economies using the UK as a case study. It is argued that there are three different logics for scaling up: commercial (growth through financial sustainability), public policy (growth through strong links to public policy objectives and debates) and technological (scaling up through changing customer expectations and transforming business models). The paper argues that determining how a national microfinance industry can scale up requires considering the market in which the providers operate.

Keywords: Microfinance; sustainability; growth

JEL Classification: G21

1. INTRODUCTION
The modern international microfinance sector, which emerged in the 1960s and 70s, has displayed impressive growth rates. The sector has grown from small NGOs to a multibillion global business sector. According to the 2015 State of the Microcredit Summit Campaign Report, the global microfinance industry grew from serving 13m customers in 1997 to 211m in 2013 (Reed et al, 2015). The overriding conclusion drawn from the experience of international Microfinance Institutions (MFIs) is that financial sustainability – the ability to cover operating and capital costs through income generated by the loan portfolio – is the indisputable mechanism to scale up:

“The debate is about whether or not MFIs can... provide services to poor households... while at the same time being financially sustainable... they should be able to reach to poor clients without making net losses and/or without being dependent on subsidies over the medium to long-term... if MFIs provide services to the poor, while making losses... their business model will not be sustainable for the long-term” (Hermes and Hudon, 2018, 1485-86)

In other words, MFIs must be able to cover their costs whilst serving the poor. The international microfinance industry has inadvertently set expectations, often implicit or explicit in policy, for MFIs in industrialised countries to scale up without relying on public subsidies (see e.g. CGAP, 2004). Yet, scaling up the microfinance sector in a financially sustainable manner has proven challenging in industrialised countries. MFIs in these markets serve relatively small markets, often target vulnerable and excluded customers, and have limited scope to price for risk due to more price sensitive customers and interest rate caps (Dayson et al, 2008).

This paper critically discusses the pathways for scaling up microfinance in Developed economies using the UK industry as a case study. It argues that there are three distinct logics for scaling up: commercial (growth through financial sustainability), public policy (growth through strong links to public policy objectives and debates) and technological (scaling up through changing customer expectations and transforming business models). Further, the paper argues that determining how a national microfinance industry can scale up requires considering the market in which the providers operate. This determines if the MFIs can operate in a cost-effective, sustainable or profitable manner. The determinants of scale can explain why Developing world microfinance is larger but also why Developed country MFIs may not be able to pursue the growth strategies followed by their Developing country counterparts.

The remainder of this paper is organised as follows. Section 2 provides a brief overview of the UK microfinance sector. Section 3 examines the different levers for scaling up microfinance and three market
conditions affecting the levers available to MFIs: financial market, economic structure and supply side restrictions. Section 3 provides a short discussion and conclusion.

2. THE UK MICROFINANCE SECTOR

UK MFIs, or Community Development Finance Institutions (CDFIs), lend and invest in deprived areas and underserved markets unable to access mainstream finance. They are non-deposit taking financial institutions regulated by the Financial Conduct Authority and are mostly affiliated to Responsible Finance as a trade body. The earliest MFIs were set up in the 1980s, but many were set up in the late 1990s with financial and technical support from Government and other organisations. They take various legal and institutional forms, including mutual organisations, charities, not-for-profit organisations and private limited companies. Most MFIs serve local markets in the area in which they are based.

In 2017, there were 27 MFIs providing just over 5,000 business loans and support to existing businesses and aspiring entrepreneurs unable to access finance from the mainstream banking sector. Chart 1 shows the number and value of loans issued annually by the sector between 2004 and 2018.

In 2018, the sector made around 5,300 loans of a value of £85m, largely to start-ups and self-employment. Lending by the sector grew significantly from 2004 to today, especially between 2012 and 2016. The periods of growth and decline in lending has largely been driven by the availability of public funding for loan capital.

3. LEVERS FOR GROWTH AND THE IMPORTANCE OF CONTEXT

There are three distinct logics for scaling up microfinance. Firstly, there is the commercial logic, whereby providers expand in a financially sustainable manner without using indirect or direct public subsidies (e.g. grants, capital at below market-rate costs etc.). In other words, MFIs can cover operating costs and capital at market price with income generated by the loan portfolio if they operate in efficient manner and price for risk and cost. In international microfinance, there has been a drive for MFIs to become financially sustainable.

Secondly, there is the public policy logic, according to which providers scale up by fulfilling public policy objectives and addressing public policy debates. MFIs in Europe and the US have scaled up through strong links to public policy objectives and debates (see e.g. New Economics Foundation, 2008). This has led to sustained public funding of and strong partnerships with mainstream financial institutions (Cozarenco, 2015). In these countries, there is often a case of market failure, as markets are seen not to operate efficiently precluding people with viable business propositions to access finance (often due to information asymmetries) or due to positive or negative externalities on a societal level (e.g. welfare costs etc.).

Thirdly, there is the technological logic, whereby providers can scale up rapidly by changing expectations and transforming operational models. The rise of Fintech – “the use of technology to deliver financial solutions” (Arner et al, 2016, 1272) – brought about by the financial crisis, technological breakthroughs and changing consumer habits and preferences is changing how financial services are developed, delivered and used. Technological
innovation in financial services is not new, but Fintech involves a paradigm shift in terms of the fast pace of change and introducing new actors disrupting the marketplace by transforming the delivery of financial services (Arner et al, 2016).

This paper argues that market conditions influence which business model MFIs, defined as “how a company creates, sells, and delivers value to its customers” (Davila et al, 2006), can use, which in turn influences the logics they can use to expand. This relationship is illustrated in the figure below.

<table>
<thead>
<tr>
<th>Market conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial market (maturity mainstream sector etc.)</td>
</tr>
<tr>
<td>Supply restrictions (interest rate restrictions etc.)</td>
</tr>
<tr>
<td>Economic structure (manufacturing, self-employment etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Viable business model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viability:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Cost-effective</td>
</tr>
<tr>
<td>Sustainable</td>
</tr>
<tr>
<td>Profitable</td>
</tr>
<tr>
<td>Operationally</td>
</tr>
<tr>
<td>Financially</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Levers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
</tr>
<tr>
<td>Commercial</td>
</tr>
</tbody>
</table>

Figure 1: Business models and market conditions

The definition of a viable business model can range from being cost-effective (relative to other interventions) at the one end to being able to generate a profit at the other. In between these two, providers can reach operational or financial sustainability. Operational sustainability refers to the ability of MFIs to cover their operating costs with borrower interest and fee income, whilst financial sustainability means being able to cover capital costs as well as operating costs through such income.

Depending on where the MFI is on this scale, it can resort to commercial or public levers. There may be some overlap, especially in the sustainable business models. The fit of the technological levers is more complex. For example, by fundamentally altering the delivery model and customer expectations, it may in theory make a previous market profitable. This paper identifies three market conditions – financial market, supply restrictions and economic structure – that help determine if an MFI can operate in a cost-effective, sustainable or profitable manner.

3.1. Nature and structure of financial market

The nature of financial markets – in terms of development and maturity of the mainstream or formal financial sector – help determine if it is possible to be cost-effective, cover costs or generate a return. The microfinance sector emerged to address the lack of access to formal finance. Hence the size and maturity of the formal financial sector influences the size of the market. The maturity of mainstream financial institutions may also influence the customer profile in terms of risk and support required, as a greater proportion of lower risk potential borrowers are likely to have access to mainstream finance.

Few studies have looked at relationship between MFI performance and the maturity of the financial sector (Hermes and Hudron, 2018). The results are mixed for those that do. Some find that a more developed financial systems improve financial performance, possibly because it improves the access to financial services for MFIs and it pressurises MFIs to improve. Other studies find the relationship to be negative as MFIs have greater outreach and financial performance where the financial system is weak. In contexts where banks compete with MFIs, it may lead to higher debt levels and lower demand.

In the case of UK, there are two important observations to make. Firstly, the banking sector is a highly mature sector and well-developed sector even compared with Developed country counterparts. Large, national banking organisations started emerging in the latter part of the 19th century (Vik, 2017) and make up a large
proportion of economic activity compared to many other countries (Davis, 2009). Table 2 shows the number of commercial bank branches per 100,000 adults, a proxy for the density of the mainstream financial services sector.

The UK has a significantly higher density of commercial bank branches than Developing country regions, which also have significant microfinance activity. This is especially the case for Sub-Saharan Africa, South Asia and East Asia and Pacific. Bank branch density is also higher in North America and the European Union than in these regions.

Secondly, financial exclusion, the inability to access mainstream finance, is a relatively marginal phenomenon in the UK. For example, since the 2004-05, more than 90% of the population have owned bank accounts (Vik et al, 2018). Table 3 shows the estimated unmet need for finance among SMEs relative to national GDP.

Table 2: Commercial bank branches (per 100,000 adults)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific*</td>
<td>7.8</td>
<td>6.6</td>
<td>5.7</td>
<td>6.0</td>
<td>4.9</td>
<td>4.0</td>
<td>4.1</td>
<td>4.3</td>
<td>6.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean*</td>
<td>10.7</td>
<td>11.7</td>
<td>11.9</td>
<td>12.8</td>
<td>13.1</td>
<td>12.9</td>
<td>13.4</td>
<td>13.0</td>
<td>12.9</td>
<td>12.6</td>
</tr>
<tr>
<td>Middle East &amp; North Africa*</td>
<td>9.3</td>
<td>9.7</td>
<td>10.6</td>
<td>10.7</td>
<td>10.7</td>
<td>10.8</td>
<td>11.2</td>
<td>11.2</td>
<td>11.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Sub-Saharan Africa*</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
<td>2.1</td>
<td>2.5</td>
<td>2.8</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>South Asia</td>
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<td>7.3</td>
<td>7.4</td>
<td>7.5</td>
<td>7.7</td>
<td>7.9</td>
<td>8.0</td>
<td>8.2</td>
<td>8.7</td>
<td>8.8</td>
</tr>
<tr>
<td>UK</td>
<td>29.0</td>
<td>28.3</td>
<td>26.4</td>
<td>26.4</td>
<td>26.0</td>
<td>25.4</td>
<td>24.7</td>
<td>24.1</td>
<td>22.1</td>
<td>25.1</td>
</tr>
<tr>
<td>North America</td>
<td>32.7</td>
<td>33.3</td>
<td>29.3</td>
<td>29.7</td>
<td>29.9</td>
<td>30.0</td>
<td>29.7</td>
<td>29.7</td>
<td>29.6</td>
<td>28.9</td>
</tr>
<tr>
<td>European Union</td>
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<td>29.4</td>
<td>29.9</td>
<td>33.1</td>
<td>33.5</td>
<td>30.6</td>
<td>29.8</td>
<td>25.6</td>
<td>26.0</td>
</tr>
</tbody>
</table>

*IDA & IBRD countries only

The UK has a significantly higher density of commercial bank branches than Developing country regions, which also have significant microfinance activity. This is especially the case for Sub-Saharan Africa, South Asia and East Asia and Pacific. Bank branch density is also higher in North America and the European Union than in these regions.

Secondly, financial exclusion, the inability to access mainstream finance, is a relatively marginal phenomenon in the UK. For example, since the 2004-05, more than 90% of the population have owned bank accounts (Vik et al, 2018). Table 3 shows the estimated unmet need for finance among SMEs relative to national GDP.

Table 3: SME finance gap as percent of GDP

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>All developing countries</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>18</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>0.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: UK data from National Audit Office (2013); Rest of data from SME Finance Forum covering Developing countries only

In the UK, the National Audit Office (2013) estimated that the unmet need in 2017 would be £22bn but that it could potentially reach £39bn depending on wider economic developments. Although significant, this constitutes less than one percent or a percent and half of the UK GDP. This is significantly lower than in Developing countries where the unmet SME finance need was 19% on average and ranged from 13% in South Asia to 25% in Middle East and North Africa.
Microfinance in both Developing and Developed world countries originally emerged because credit markets by themselves do not ensure efficient and equitable distribution of business loans. Due to information asymmetries, where the lender has less information than the borrowers about the business proposition, mainstream lenders often resort to secured lending or credit scoring, whilst local moneylenders charge high interest rates. The original innovation in lending methodology, group lending or peer monitoring, made it viable for MFIs to lend in a financially sustainable manner without charging rates perceived to be extortionate, as it significantly reduced default rates (Stiglitz, 1990). In the UK, there are persistent information asymmetries in the SME and start-up finance market (PWC, 2015), which MFIs have sought to circumvent through offering non-secured loans, relationship-based underwriting and offering business development support. Although this lending methodology and approach has enabled UK MFIs to reach their target market they have not enabled them to do so in a financially sustainable manner (PWC, 2015).

3.2. Economic structure

The growth and performance of MFIs is likely to be influenced by the national and regional economy in which it operates. On the one hand, a growing economy may improve repayment performance and increase demand for microfinance, because it may encourage microentrepreneurs to invest. On the other, it may dampen demand for MFI services, as businesses have better access to formal finance or can use profits to finance projects (Hermes and Hudon, 2018). More specifically, the economic structure in the sense of employment and firm composition, may influence the scale of the target market for MFIs. The microfinance sector mainly provides small loans for business purposes to self-employed and microenterprises. Many microfinance clients also operate in the informal sector. Some studies have found that higher labour market participation reduces demand for microfinance services (Ahlin et al, 2011).

Table 4 displays self-employment for the past ten years.

**Table 4: Self-employment rates (%)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>44.8</td>
<td>44.0</td>
<td>42.9</td>
<td>41.8</td>
<td>40.9</td>
<td>40.4</td>
<td>39.7</td>
<td>38.9</td>
<td>38.6</td>
<td>38.6</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>36.5</td>
<td>36.7</td>
<td>36.1</td>
<td>36.2</td>
<td>36.4</td>
<td>36.3</td>
<td>35.9</td>
<td>36.3</td>
<td>36.6</td>
<td>36.7</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>35.7</td>
<td>35.2</td>
<td>33.9</td>
<td>34.2</td>
<td>33.3</td>
<td>33.4</td>
<td>33.2</td>
<td>32.7</td>
<td>31.5</td>
<td>31.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>75.7</td>
<td>75.7</td>
<td>75.4</td>
<td>74.9</td>
<td>74.6</td>
<td>74.0</td>
<td>74.0</td>
<td>73.9</td>
<td>74.0</td>
<td>74.0</td>
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<tr>
<td>South Asia</td>
<td>79.9</td>
<td>79.4</td>
<td>78.6</td>
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<td>76.4</td>
<td>76.0</td>
<td>75.7</td>
<td>75.3</td>
<td>74.9</td>
<td>74.8</td>
</tr>
<tr>
<td>UK</td>
<td>13.4</td>
<td>13.7</td>
<td>14.1</td>
<td>14.3</td>
<td>14.7</td>
<td>14.7</td>
<td>15.3</td>
<td>15.1</td>
<td>15.5</td>
<td>15.4</td>
</tr>
<tr>
<td>North America</td>
<td>11.0</td>
<td>11.2</td>
<td>11.2</td>
<td>10.9</td>
<td>10.9</td>
<td>10.7</td>
<td>10.5</td>
<td>10.5</td>
<td>10.4</td>
<td>10.4</td>
</tr>
<tr>
<td>European Union</td>
<td>16.5</td>
<td>16.6</td>
<td>16.9</td>
<td>16.7</td>
<td>16.7</td>
<td>16.5</td>
<td>16.5</td>
<td>16.1</td>
<td>15.9</td>
<td>15.9</td>
</tr>
</tbody>
</table>

Notes: World Development Indicators

Self-employment rates are significantly lower in the UK, and other Developed country regions, than in several Developing country regions, where microfinance is also more widespread. Self-employment rates in the UK oscillate between 13.5 and 15.5%. In comparison, self-employment rates range from 31% in the Middle East and North Africa and 75% in South Asia.

Table 5 shows the size of the informal sector as measured by the proportion of people employed in the sector.

**Table 5: Share of informal employment in total employment (%)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>76.0</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>37.4</td>
</tr>
<tr>
<td>South East Asia &amp; Pacific</td>
<td>57.4</td>
</tr>
<tr>
<td>South Asia</td>
<td>77.4</td>
</tr>
<tr>
<td>UK</td>
<td>13.5</td>
</tr>
<tr>
<td>North America</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Notes: 2017 data from ILO
The informal sector is, not surprisingly, considerably smaller in the UK compared with Developing country regions. It is estimated that the informal sector accounts for less than 14% of total employment compared with three quarters in Latin America and Caribbean, and Africa, 57% in South East Asia and 37% in Latin America.

3.3. Supply restrictions

Restrictions on the supply of credit also potentially affects the viable growth path available to MFIs. Such restrictions may include general regulatory requirements for business operating in the market, restrictions of lending by non-deposit-taking institutions and interest rate caps. Supply restrictions may contribute to making it commercially unviable to operate in certain market segments by increasing operating costs and restricting interest rates that can be charged to cover costs and risks associated with lending. Stronger regulatory frameworks and institutions may improve general conditions for MFIs and customers by reducing corruption and allowing for more pro-business environment or they might increase regulatory burden. Most studies find that stronger regulation and institutions have negative or no effects on MFI performance, especially on outreach (Hermes and Hudon, 2018).

Unlike with economic structure and financial markets, which are significantly and universally different in Developed and Developing countries, the role of supply restrictions is more complicated. Firstly, it is difficult to make general comparisons as research has found that “the effects of regulation are context specific” (Parker and Kirkpatrick, 2012, p. 7). Secondly, there is less likely to be a clear distinction between Developed and Developing countries in terms of supply restrictions. For example, interest rate restrictions are widely applied across countries of different development stages, as at least 76 countries around the world impose some restrictions on lending rates (Ferrari et al, 2018).

Regulation and interest rate caps, in particular, affect the commercial viability of microcredit provision where it raises costs or reduces potential income above or below a threshold at which the provider can cover costs and risks through interest and fee income. Several European countries operate with business lending interest rates caps and it is recognised that it is difficult if not impossible to serve entrepreneurs without access to mainstream finance in a commercially viable manner within the interest rate cap (e.g. Cozarenco, 2015). In the UK, there are no interest rate caps on business lending. However, the UK regulator has imposed interest rate ceilings on some parts of the consumer lending market. There is some indication that these caps have restricted supply, which was indeed their intention. In 2015, the UK financial sector regulator introduced a cap on the cost of credit for the payday lending industry. This contributed to a drop in the number of firms in sector from 400 in 2014 to 144 in 2016 (Smith, 2017) and the number of loans fell to 1.8m in 2015 from 10.2m loans in 2012 (Collinson and Jones, 2016).

4. DISCUSSION AND CONCLUSION

The microfinance industry in the Developing world has inadvertently set expectations that MFIs in Developed countries should be financially sustainable without having to resort to public funding or subsidies (e.g. CGAP, 2004; Hermes and Hudon, 2018). Like international MFIs, they should move on to use commercial levers as they reach financial sustainability or profitability with the end-result of generating positive customer outcomes without having to rely on public subsidy or charitable investments. However, as highlighted by this paper in the case of the UK, the market conditions determine if MFIs can operate in a cost-effective, sustainable or profitable manner. This paper has identified three forms of market conditions.

Firstly, MFIs operating in Developing countries have and, to some extent, continue to be able to target large undeveloped markets, especially rural areas and microenterprises, not served by commercial, mainstream financial institutions. In Industrialised countries, financial markets are better-developed with smaller segments being left unserved, which MFIs can serve. In the case of the UK, the unmet need for business loans is less than 1% of GDP compared with nearly 20% on average in the Developing world.

Secondly and related to the first point, there may also be a link between microfinance growth capacity and the economic structure. As shown in this paper, UK has significantly lower levels of self-employment and smaller informal sector relative to the Developing world. This is a key market for MFIs, as larger formal firms have better access to finance, including capital markets.

Thirdly, supply restrictions, notably interest rate caps and restrictions on non-bank lending, which are common across Europe, directly or indirectly limits the ability of providers to cover delivery costs through interest income by increasing costs and reducing income. This is less applicable to the UK as it does not operate with interest rate caps for business loans.
It is important to note that this paper has not empirically or systematically tested these drivers through analysing historical data on scale and growth on global dataset, including Developing and Developed world MFIs. However, recent systematic reviews of the empirical literature on growth and performance suggest that context is important (see Hermes and Hudon, 2018).

The implications of the findings in this paper are that MFIs operating in countries where potential markets are small, costly to serve and high risk and provision is restricted by supply restrictions (especially interest rates), it might be unrealistic to expect providers to use commercial levers and not rely on subsidies in some form.

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BARRIERS FOR SMEs ON THE SINGLE MARKET

ABSTRACT

25 years after its creation, the Single Market is a vast success. It has improved the living standards for EU citizens and 56 million jobs within the EU depend on trade created by the Single Market. Nevertheless, the Single Market is neither perfect nor complete. In fact, increasing regulatory complexity is challenging European businesses, especially small and medium-sized enterprises (SMEs). Each year, the amount of national technical regulation keeps piling up which makes it more difficult for SMEs to expand their activities across Europe.

The Single Market was created to benefit citizens and businesses, but too often the legislation is purely made from a law-makers perspective. This leads to rules and procedures that are difficult for the end user to understand and to comply with. Another problem is the lack of focus on digitisation. More user-friendly digital solutions would make life much easier for SMEs. Looking ahead we need to think digital first, but when we digitize we need to think small first.

In 2018 the Danish SME Envoy prepared a study on the barriers faced by SMEs on the single market. The European Small Business Alliance provided input to this study. Some highlights of the report are the following:

* Future legislation need to be made with the end user in mind: Proposed Legislation need to really assess the impacts on SMEs and consider the previous and proposed legislations
* Clear and transparent rules for SMEs
* Reduction of the administrative burdens
* Same legislations for online and offline transactions
* A one-stop shop coordinating replies across contact points: The need for effective one-stop-shops
* Difficulties with the Posting of workers
* Difficulties with VAT regimes
* Legal uncertainties due to Consumers law

This paper is excerpt from the study.

Keywords: SMEs, barriers for SMEs

JEL Classification: L26, M21

1. EXECUTIVE SUMMARY

25 years after its creation, the Single Market is a vast success. It has improved the living standards for EU citizens and 56 million jobs within the EU depend on trade created by the Single Market. Furthermore, it has increased the competitiveness of the European businesses globally and made the EU the largest exporter of goods and services in the world.

Nevertheless, the Single Market is neither perfect nor complete. In fact, increasing regulatory complexity is challenging European businesses, especially small and medium-sized enterprises (SMEs). Each year, the amount of national technical regulation keeps piling up which makes it more difficult for SMEs to expand their activities across Europe. At the European level SME’s also experience confusion from partially overlapping rules. This means that SMEs do not necessarily know which rules apply to them – they simply do not understand which rules to follow.
To further increase the complexity of the regulatory environment, the traditional divide between goods and services is also disappearing. From a business point of view, the division between a Single Market for Goods and a Single Market for services no longer exists. In reality, a good is often sold with an accompanying service. Unfortunately, the legislation has not followed this development which often makes the legislation out of touch with reality.

The Single Market was created to benefit citizens and businesses, but too often the legislation is purely made from a law-makers perspective. This leads to rules and procedures that are difficult for the end user to understand and to comply with. Another problem is the lack of focus on digitisation. More userfriendly digital solutions would make life much easier for SMEs. Looking ahead we need to think digital first, but when we digitize we need to think small first.

To address the above-mentioned challenges and to create a less complex Single Market to the benefit of European SMEs, this report suggests the following three approaches to enhancing the Single Market:

A one-stop shop coordinating replies across contact points

European businesses are met by many different portals, entrances and information websites. Some are national, while other are European. Created with the best intentions, these contact points have not succeeded in giving the SMEs an overview of the rules and procedures which they need to comply with, as there are many different contact points, and they occasionally give answers pointing in different directions. There is a need for the European Commission to ensure a one-stop shop in every Member State that can effectively provide businesses with the necessary overview of which rules they need to comply with, how they comply with the procedures, which documents they need to provide, and which authorities they must contact. The information available through the one-stop shop should cover all business-related aspects. The one-stop shop should therefore provide a coordinated answer across the existing contact points established by EU regulations. The one-stop shop will provide a coordinated answer from all the relevant contact points after having coordinated with the competent authorities behind the contact points, thereby making it easier for businesses to understand and comply with the relevant administrative and legislative procedures.

Future legislation made with the end user in mind

All future legislation must be made with the end user in mind. It must be easy to understand which rules and procedures the SME’s must comply with, and the corresponding administrative steps should be easy to follow. Often the procedure rather than the regulation creates problems for the SME’s. Therefore – in order to make the procedures as easy as possible – the end user’s perspective should be incorporated from the drafting stage of the regulation. A specific way of doing this is through so-called “life events” where an end user’s journey through for example an administrative process is mapped step by step. When such processes are mapped, it is possible to see which steps are more burdensome for businesses and where there is a need for simplification.

Legislation that is digital by default

One of the clear advantages of digitisation is how it can reduce the complexity of the Single Market by helping businesses through digital solutions. However, in order to fully reap the benefits of digitisation, it must be taken into account already when drafting new legislation and used to reduce complexity for SMEs. Furthermore, the development of the digital economy such as Internet of Things, sharing economy and cloud computing will only create a higher demand for digital infrastructure and the very userfriendly solutions set out by legislation. However, it can be difficult to establish user-friendly digital solutions for cross-border businesses due to various factors. One of them being that EU regulation is often created in regulatory silos.

The Single Market is one of the greatest achievements of the European Union. It solves problems and enables trade, jobs and well-being every day. But the time is ripe to take a user perspective on the rules and update them to the everyday reality of businesses and consumers.
2. **THE IMPORTANCE OF THE SINGLE MARKET**

The Single Market significantly contributes to economic activity in each individual Member State of the EU. A new study commissioned by the Danish Business Authority finds that 56 million jobs in the EU depend on trade in the Single Market. Out of these, 20 million jobs are directly involved in producing exported goods and services. 16 million jobs are involved with producing inputs to the industries who export directly to the Single Market. The final 20 million jobs are created as a result of the increased income that is caused by direct and indirect exports.

The following chart presents the amount of jobs that are directly and in-directly linked to trade in the Single Market.

**Chart 1**

**Source:** Højbjerg Brauer Schultz based on WIOT input-output tables and Eurostat

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2 It is found that a normal Danish two-persons household has extra 8,500 Euro to spend per year. We expect that this trend can be found in the entire EU.
Note: Direct and indirect employment effects of exports to the Single Market, 2014

The study finds that the Single Market has led to higher living standards in average families which is an effect of the real wages that are higher because of the Single Market.

Another finding in the study is that the Single Market gives access for SMEs to the European value chains which operate on a global market scale. This is an important aspect of the Single Market, as SMEs can be suppliers of for example intermediates to other SMEs or large companies. SMEs simply would not have the same opportunities without the Single Market. The following chart shows the added value of Nordic SMEs to the global markets.

Chart 2 Exports in value-added terms of Nordic SMEs to global markets

Source: Statistics Denmark etc. (2017): “Nordic Countries in Global Value Chains”
Note: Nordic are Denmark, Finland, Iceland, Norway, Sweden. Illustration adopted from OECD

The above-mentioned example only concerns the Nordic countries, but it clearly shows the importance of SMEs participating in the global value chains, as SMEs also are an important part of the exports of large businesses. Without the Single Market, this would not have been possible to the same extent.

Besides giving SMEs access to the global market, the European value chains have also made the EU a world leader in global trade. In the study, a chapter examines the EU on a global basis. The EU is found to be a dominant destination for foreign direct investments (FDI) together with the United States which serves as proof of the position of the EU in world trade. It is also found that the EU is one of the three leaders of trade in the world.

Chart 3 Exports and imports of goods and services, 2016

Source: Hojbjerre Brauer Schultz, based on IMF BOP and Eurostat.
In fact, the EU had a trade surplus of 304 billion Euro in 2016. Furthermore, the EU is also the largest exporter of goods and services and the second largest importer. Such numbers could obviously not have been reached without the Single Market. The study also finds that intermediate goods accounted for 51 per cent of all the goods that were exported within the EU. It is thus an important driver of the European economy that shows how dependent the Member States are of each other.

Even though these numbers are very encouraging, the EU still lacks behind for example the US when it comes to enabling tech start-ups to thrive. Many tech start-ups in the EU express the need to move to Silicon Valley when they wish to scale due to a better business environment and easier access to finance. The CBInsights’ list of Unicorns 4 in the world confirms this trend, as only a few of these tech companies are placed in the EU, whereas the US and China seem to dominate the list. This shows that EU still have a lot of work to do. We need to create the right environment within the EU, so our start-ups do not move to for example Silicon Valley when they see a potential for scaling.

With this in mind, it is obvious that we need to work together in order to strengthen Europe’s global competitiveness. This is paramount if we want to succeed in the long run – and it will be to the benefit of each individual Member State. Therefore, we must make the Single Market work even better than today.

3. AN INCREASINGLY COMPLEX SINGLE MARKET

As shown in the previous section, the Single Market has been a vast success. In this section, it will be argued how the Single Market could work even better in practice. In the recent study “Mapping the Cost of Non-Europe”, it is found that there is an unrealised potential of 1030 billion Euro per year that would occur from completing the Single Market.

SMEs represent 99 per cent of all businesses in the EU 5. Thus, it is of great importance that the Single Market enables SMEs to thrive. Unfortunately, it has become increasingly hard for (especially the smallest) SMEs to comply with legislation when they operate cross-border in the EU. A sign of this challenge is the growing amount of national technical regulations which is seen when looking at the increasing amount of notifications of regulations.

Every year, around 700 national technical regulations concerning goods are notified. Accumulated, this results in more national technical regulations as time passes. In some cases there will be an overlap with national technical regulations that have previously been notified. However, not all notifications will be repetitions and nonetheless new notifications means alterations of rules that SMEs need to spend resources to figure out.

When looking at notifications of regulation regarding services, we also see the overall number of national technical regulations is expanding from year to year. Even though the amount of new notifications is decreasing, which is positive, few overlapping notifications can be expected since 2014.

The numbers from these two databases can be interpreted as an indication that the Single Market is getting more fragmented, and that the number of rules which an SME needs to comply with across Europe is rising. Such a conclusion is in line with the annual report from the SME Envoy network in 2018 6 which showed that 59.1 per cent of start-ups found differences in national legislation and regulations to be one of the biggest obstacles for internationalisation.

One of the core ideas of the Digital Single Market strategy was to ensure easy access to online activities for individuals and businesses thus creating new opportunities for start-ups and existing companies to reach a market of over 500 million people. While several positive results have been achieved and not everything leads to burdens, many of the proposals from this strategy contribute to legal complexity for businesses and potential administrative burdens. The natural question is therefore whether or not this strategy is delivering a simple and coherent framework that will prepare European businesses for the global competition.

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Different proposals involving digital service providers in the Single Market include unclear definitions and overlap between existing regulation. This causes a lack of legal clarity for information society service providers which try to realise the European ambitions for a European Single Market for digital services.

The rules on illegal content online are just one example of the fragmentation of applicable rules across different pieces of legislation. Businesses can no longer rely on the principles on liability of intermediary service providers in the E-commerce Directive as a number of obligations have been introduced to tackle different types of illegal content online. The latest examples include the introduction of specific rules in terms of liability and in terms of screening of content with the proposal for a Directive on Copyright in the Digital Single Market. Similarly, the new proposal for a regulation on terrorist content online will place new obligations on platforms specifically related to terrorist content. Small businesses often do not have the legal capacity to get the full overview of which specific rules they need to live up to.

More generally, it is important that a transparent and clear legal base for European start-ups and scale-ups is assured. It is the responsibility of regulators to ensure that legislation is simple and comprehensible.

When the regulatory environment on the European level becomes too complex there is a risk that SMEs will stop exporting and instead stick to their national market where they already know the rules. This can be seen when looking at all the different contact points that have been set up in various EU regulations, as they illustrate that it is way too complex to get an overview.

An initial screening found that each of these directives and regulations establish contact points:

- The Services Directive (2006/123/EC)
- Mutual Recognition Regulation (764/2008)
- Marketing of Construction Products Regulation (305/2011)
- Guidelines for trans-European Energy Infrastructure Regulation (347/2013)
- Regulation on a Framework for the free flow of non-personal data in the European Union (COM(2017)495)
This is probably not the full list, but it gives an overview of some of the various contact points. Unfortunately, there is no place where a complete overview of the contact points can be found, which in itself is problematic for businesses. Further to this, a large amount of contact points that are not established by EU regulation exists. Thus, an SME might not be certain that it has found all the relevant information for entering a new market. Further, there have been examples of different contact points which give different and even mutually exclusive information. When national authorities seem to disagree about regulations and procedures, it is very difficult for an SME to follow the right administrative and legislative procedures.

The challenge of a complex regulatory environment is further exacerbated by the fact that the traditional divide between goods and services is getting more and more blurred. Servitisation means that rules and regulations that used to apply to a limited number of companies are now applicable for many exporters in the Single Market.

An example of servitisation could be a business that has sold a system for food production. The deal comes with installation in the factory of the buyer and after sales service. This means that the business has sold both a good and a service to another business in a different Member State. This sale can – depending on the specific product and the specific service – be subject to many different national technical regulations in other EU Member States.

Previously, there was a clear distinction between goods and services and the regulation was thus created to fit each of these. Today though, the products have changed, but the regulation has not been updated accordingly and is still drafted in silos. If a product falls under the legislation for both goods and services or if a business sells a good that comes with installation or a service agreement, it can be extremely difficult for especially SMEs to figure out what legislation to comply with. Thus, the old division does not make sense anymore and a more holistic approach is needed for future regulation.

**Figure 1.**

Goods and services with corresponding regulation previously and today

4. **REDUCING COMPLEXITY IN THE SINGLE MARKET**

Due to the continuing increase in the total amount of national technical regulations, it becomes increasingly hard for SMEs to get an overview and comply with legislation in other EU Member States. Even though different steps have been taken and various toolkits have been developed over the years, much can still be done to help the SMEs.

Furthermore, there is a tendency to address the problems by adopting new pieces of legislation or reviewing existing sector regulation, rather than reviewing the existing horizontal legislation. For SMEs this results in a fragmented regulatory environment instead of having to deal with one coherent set of rules. SMEs do often not have the legal capacity to get the full overview of which specific rules they need to live up to, thereby making it harder for SMEs to expand across the Single Market.
A one-stop shop coordinating replies across contact points

One of the proposals received for this report focused on the creation of a one-stop shop which would provide a coordinated answer from the existing contact points. The necessity of this proposal was only further underlined, as several contributions stressed how hard it is for SMEs to access the right information about the relevant regulation and administrative procedures.

While the Single Digital Gateway is a step in the right direction towards helping businesses get access to the right information, it does not change the fact that multiple contact points exist and the lack of overview of the different contact points. The idea behind the contact points is obviously good as they are created with the purpose of providing information. However, the contact points are established with reference to a broad range of different legal acts and as such they are examples of the previously mentioned regulatory silos that makes it difficult for SMEs to navigate. The SMEs should be given a clear answer on what rules and procedures to follow, and they will get exactly that with a one-stop shop that provides a coordinated reply across all the contact points.

With the one-stop shop, businesses will only have to contact one entity in order to receive a coordinated answer on what kind of rules and procedures they would have to comply with in a given Member State. This will make life much easier for the SMEs who wish to export goods or services to other Member States.

Future legislation made with the end user in mind

Besides enabling the SMEs to actually get access to all relevant information, it is also of great importance that regulation and procedures are made with the end users in mind from the beginning of the drafting.

A way to approach this is to look at existing regulation and procedures and see how they work for the end users. This can be done through so-called “life events” where an end user’s journey is mapped – step by step – through a given procedure. This approach can be used to assess whether for example a regulatory procedure is user-friendly or not. It is often the procedure rather than the regulation itself that creates a burden for businesses. When the journey is mapped, it is possible to identify which steps creates the most burdens for businesses and thereby use the mapping as a tool for simplification. The more steps in a procedure, and the more different authorities that are involved in the process, the harder it is for especially the SMEs to enter the market in another Member State.

Mapping procedures is obviously most useful as a tool for evaluation of existing procedures. However, the end user’s perspective should be taken into consideration when the drafting of the regulation begins. This is not always the case, as regulation and procedures are often created with only the legal aspects in mind from a law-making perspective. As understandable as it is, it is not the most appropriate approach, as regulation and procedures should always take the end user into account.

Legislation that is digital by default

Another way of making life easier for SMEs is to take advantage of the opportunities of digitisation. When we digitise we need to think small first. Digital solutions can – when tailormade from a business perspective - help reduce the complexity of the Single Market as many procedures can be made much easier to comply with for the end users. When a procedure is digital, there is no need to waste time waiting in line at the office of an authority or to fill out and send forms in hard copy and wait for an answer. With digital solutions, all procedures can be streamlined and made accessible anywhere and at any time. Digitisation also allows for faster handling of cases, as many procedures can be automatized.

Today, many rules are based on discretionary assessments which makes it difficult to create digital solutions. Sometimes, there may be good reasons for this, but it should never be the default solution. For example, in the Accounting Directive, much is left to discretionary assessment which is a barrier for the automatization of businesses’ accounting systems as well as digital reporting procedures. This is especially a barrier for SMEs as they do not have the same resources to deal with bureaucratic procedures as larger companies do.

Legislation should enable digital communication. When the European Commission proposed the regulation (EU 2016/670) regarding surveil-lance of imports of steel, the importer’s application had to include a fax number. There are probably many SMEs which do not have a fax machine. As a consequence, this was changed to e-mail or fax.

It is also important to use uniform concepts in all legal acts. The different use of terms such as “establishment” under company law and under the Services Directive makes it very difficult to establish user-
friendly digital solutions for cross-border companies. For example, a company may not be considered established under the European company law, but will at the same time fall under the definition of establishment used in the Services Directive.

It is important to think about digitisation when creating new legislation. Otherwise, legislation might create obstacles for interesting new digital business models. With the Internet of Things, sharing economy, cloud computing and more, the requirements for digital infrastructure and digital solutions will only increase. It does not make sense to talk about the Single Market and the Digital Single Market as two different concepts, as we already have one Single Market that is highly digitalised and only will be more so in the very near future.

With the interlinkage of goods, services, data and digital solutions, the distinction between them no longer reflects the reality of businesses. New business models cut across the traditional division. The Single Market acquis needs to be adapted to take into account the crosscutting nature of businesses.

5. **SUGGESTED PROPOSALS**

In this section, the various proposals received from the SME Envoy network will be presented. They form a catalogue of ideas on how to improve the Single Market for SMEs.

**Different and poor interpretation of the EU legislation**

One of the contributions points out that there is supposed to be a level playing field in the Single Market. Unfortunately, this is not the case - even when an area is almost completely covered by EU legislation - as different Member States interpret the rules differently.

This has very negative effects for especially the SMEs. They are the most vulnerable, as it is harder for them to get information about the interpretation in the Member States. Consequently, they can be subject to unexpected penalties when they unintentionally do not comply because the enforcement is different than in other Member States where they are also based. Furthermore, if some comply and others do not, the non-compliers – who might be non-compliers unintentionally – might get a competitive advantage over the compliers which is very unfortunate.

**National technical regulations**

Some of the contributions concern national technical regulations. This was addressed previously in this report, but it is important to mention that some of the contributions point out the well-known fact that many businesses adapt their products to national technical regulations. This is especially a barrier for SMEs who might not have the resources to adapt a product and thus decides not to scale their business across the Single Market. A way of solving this is increasing awareness about the principle of mutual recognition among SMEs, thus, it should be ensured that the Member States apply the principle of mutual recognition in an effective way. The principle of mutual recognition means that a product (non-harmonised) that is lawfully marketed in one EU Member State can be marketed in another.

**Posting of employees to other Member States**

It is also pointed out that the rules and procedures for posting employees differ from Member State to Member State. Additionally, the relevant information is often not available or very difficult to find. Many Member States have notification requirements for when posting workers, even though there should be free movement for services.

**VAT**

Another problem brought to attention is how VAT creates problems despite the fact that this is an area of harmonisation. Unfortunately, examples of double taxation can still be found due to different interpretation in the Member States. Furthermore, examples also show how different rules between two Member States result in goods being exempted from VAT when sold by a business in one Member State to a customer in another. The different interpretation also results in different demands for documentation around the EU.
Public procurement

It is pointed out how SMEs are struggling to win tenders in other Member States than their own as languages constitute a barrier in the cases where tenders are published in the local language. On a more general note, it is pointed out how SMEs are struggling to win tenders compared to larger businesses who have larger capacities and more resources to spend on a tender. It is suggested that cooperation between SMEs to win tenders should be facilitated as a solution to the problem.

Consumer rights

Another contribution describes how most legislation on consumer rights stems from the EU level. However, as most of this is minimum legislation, gold plating is quite common and leads to heterogeneity on the Single Market. Interpretation and enforcement of the EU regulation differs across Member States, and businesses thus need to invest time and money in figuring out the differences in consumer rights in the various Member States. A suggested solution is increased cooperation between authorities, better coordination when it comes to interpretation of regulation and, finally, more accessible information for the SMEs. Furthermore, it is positive that the New Deal for Consumers presented by the European Commission aims at removing unnecessary burdens for businesses.

A fragmented financial Single Market

The financial system in Europe works very well in many ways. However, it is pointed out that payments between Member States usually take a longer time and are more expensive than payments between two accounts within a Member State. Another problem is that, while discrimination of bank accounts from other Member States is forbidden, indirect discrimination happens as many SMEs still need to open bank accounts in other Member States as they often are met with suspicion from consumers and businesses if they do not have a local bank account. Furthermore, the fragmented financial Single Market hinders access to capital for SMEs.

Territorial supply constraints

Another problem brought to light is how territorial supply constraints (TSC’s) constitute barriers for especially SMEs. Here, businesses establish barriers by themselves by limiting sales of goods from certain Member States and thus they cannot be sold freely across the EU. A report from the Benelux countries finds TSC’s in all three countries and for all sizes of businesses. They are found in many segments of the retail market, but data also shows that other sectors than retail are affected. The TSC’s affect both profits for businesses, quality and the prices for the consumers.

Uneven access to markets for services

Some contributions mention uneven access to the markets for services as a barrier for SMEs. This is in line with the previous mentioned barriers concerning national technical regulations and posting of employees to other Member States. Such barriers make it difficult for SMEs to sell services across different Member States.

National technical regulations obstruct the Single Market for building materials

According to the Marketing of Construction Products Regulation, a manufacturer can market its products on the Single Market if it has a valid CE-marking and a declaration that describes the characteristics of the products according to a relevant harmonized standard. Member States are not allowed to demand further marking of the declared characteristics. However, multiple Member States still require national type approvals for the characteristics of the products. An example is the characteristics for fire- or ceiling sheets. The proposed solution is more information for national authorities about the rules and CE-marking.

Modernisation of the Union Customs Code

The EU’s customs coding system is based on 8-10 digit customs codes whereas the first 4-6 digits constitute the Harmonized System Codes (HS-codes) decided on in The World Customs Organisation’s (WCO) while the last 2-4 digits represent the EU’s Combined Nomenclature (CN-codes). The HS- as well as CN-codes are rarely updated and the customs codes have therefore been lagging behind the technological evolution for years. The customs codes are problematic as new types of products – especially products in the fields of electronics, technology and digital solutions – do not fit properly. This is frustrating for companies that are left with- out
guidance on how to classify their products. Due to this confusion, customs authorities often end up concluding that companies should use another customs code to classify the product parts that they import for their production. If the decided customs code implies a higher tariff rate, the company is obliged to pay residual duties, which – especially to SMEs - has large economic consequences. It is thus proposed that it is studied how the codes can be updated so the codes can grasp these new types of products”.

Digitisation of VAT documentation when buying and selling boats in the EU

Old rules require documentation for payment of VAT when a boat sail the EU waters. This is problematic when buying a used boat. If the seller does not have the documentation of the already paid VAT, a customer might be prevented from buying the boat. It thus requires a lot of time from boat sellers to get the original paperwork or being in dialogue with the authorities to obtain the documentation. It is proposed to solve this by creating a digital solution where documentation for VAT can be obtained across the EU.

Fitness check of the rules regarding olive oil

The regulation on the characteristics of olive oil and olive-residue oil and on the relevant methods of analysis is from 1991. It requires national authorities to test olive oil produced in other Member States bought by a retailer, even though the producers of olive oil are subject to national inspections. Furthermore, the regulation requires that the testing is based on the organoleptic method which is a very uncertain method, as the oil might have changed characteristics when it reaches the retailers due to being a natural product. This double control is a barrier to retailers who risk losing products that have been marked wrongly. As the test is not health related, but only a matter of quality marking, it is proposed that a fitness check of the regulation is made.

Future-proof directives regarding biological material

The EU regulation in the health sector is split into silos with directives on blood, tissue, medicine for advanced therapy and medical equipment. New innovative products as substrates, regenerative cell treatment products or frozen sperm do not necessarily fit into one of these categories. Further to the problem, it is hard for businesses to get clear information and guidance from national and European authorities. It is proposed to future-proof the directive for biological material by making it more flexible. Furthermore, it is suggested that a guiding unit is established at the European level to help businesses obtain information on which rules and procedures to comply with.

More simple rules for storing and distributing herbal medicines and vitamin- or mineral drugs

Herbal medicine, vitamin- and mineral drugs face almost all the same requirements as normal medicine. Many retailers sell products within these categories, and they typically receive the products for their stores from their warehouses which are registered as wholesale warehouses. Wholesale businesses face more strict rules than normal retailers as they for example need additional approvals for these types of products. Thus, many retailers choose to avoid having the products at their own wholesale warehouses and instead buy them from distributors. It is suggested that dispensation can be given for products that are not dangerous and do not change by being transported or stored.

About the SME Envoy network

The network of SME Envoys was set up in 2011 as part of the review of the Small Business Act. The SME Envoy Network of the European Commission see at

WHAT MAKES ENTERPRISES ROCK – SMALL IS BEAUTIFUL

ABSTRACT

The paper presents the profile of Antony Charles Robinson, who devoted his last 20 years to founding and advising creation and development of microscale enterprises in UK and overseas. Antony Robinsony is the creator of Enterprise Rockers, whose mission he describes as "creating our own world for survival – a microcosm for microbusiness". He explains the difference between enterprise and business. He suggests tips for microenterprises to survive.

Keywords: Microenterprises, Enterprise Rockers

JEL Classification: L26, M13

Tony Robinson OBE devoted much of his time over the last 20 years to founding and advising organisations that can positively influence the survival rate of new, micro (1-9 employees) enterprises in the UK and overseas. He says "I'm very old so I've spotted a few startlingly obvious things over the years, that many policy makers fail to spot. These include; we are into a micro enterprise revolution as every year more people throughout the world run their own enterprise. Every business owner is different so every enterprise is unique. It is really tough to make ends meet in your own business but there's no better way to earn a living. There are some proven, common sense enterprise essentials that increase the chances of surviving and thriving today and in the next five years. I'll spill the beans on all I know."

The activities and thought of Robinson we present by an article on „What makes enterprise rock” speaking at small is beautiful.

Antony Robinsony is the creator of Enterprise Rockers, whose mission he describes as "creating our own world for survival – a microcosm for microbusiness". Enterprise Rockers is an independently owned, UK based community interest company working to make life better for micro business owners. He formed the group with Tina Boden because Tony had been bashing government, and trying to increase the level of business support. He says that he and Tina soon discovered that, when it came to microbusiness, representatives from big business just don't get it.

Rather than fighting Government, now, Tony believes in coming together as a community to enact change. In his talk, he offered advice on surviving & thriving in microbusiness, as a community, without relying on outside forces. "We can't rely on Government, we've got to get on ourselves."

Tony shared his wisdom on the points of difference between enterprise and business. While Schumacher determined in his work, also titled Small is Beautiful, micro-enterprises about people, not capital, Tony describes it as "going it alone in great company." But there are misconceptions about why people go into business. "How many people here started their business to make lots of money?" In the auditorium, crickets. Tony suggests that many of us have gone into business because we want to control our own destiny.

HERE ARE TONY'S TIPS FOR MICROBUSINESS TO SURVIVE AND THRIVE WITHOUT RELYING ON OUTSIDE FORCES:

Enjoyment. You've always got to be doing something you enjoy, because it's the only thing that will keep you going.

Bootstrap, don't borrow. Banks want to sell start-up loans, not test new markets. We're the testers. Micros can react quicker, collaborate better, and seek opportunities to create a new market that no-one has seen before.

7 OBS is the abbreviation of the The Most Excellent Order of the British Empire is a British order of chivalry.
8 See at http://smallish.com/blog/tony-robinson-obe-enterprise-rockers/
9 See at https://hu.pinterest.com/enterpriserocks/
**Stay small.** One third of the people in the world are self-employed in a single-person business. Most don't want to take on employees. If you want to stay small, stay small.

**Move fast.** Microbusinesses move much faster than the larger companies we're competing with. But Tony doesn't believe we're competing against each other. "The truth is that no-one trusts government, banks and big business, but they will trust micros - your reputation is vital."

**Help and support each other.** As microbusinesses, Tony says, "We are the best people to help and support each other."

**There's no such thing as failure.** It's all about trying. We can keep trying by enjoying & working together. Get paid on time. Enterprise Rockers is campaigning for #Payin30Days. When they began, only 1 in the top 1000 UK companies was paying on time. We can work together to change that.

**Start and build new relationships all the time.** Developing closer relationships and building customers is key – that engine needs to keep moving all the time.

In early 2018 Anthony Robinson during his one-man show at Newcastle Start-Up Week why politicians and civil servants need to see that the "influential drivers of the economy and society - independent business owners - are willing to put their name behind "Small is Beautiful: Economics as if People Mattered". 10

Robinson added: "Ernst F Schumacher rightly claimed 45 years ago that the wealthy will never say „enough” and the „rich will get richer and the poor will get poorer”. Every day in my lifetime Government has promoted big business growth, increasing productivity and wealth creation, all to benefit the biggest shareholders - increased wealth has never trickled down. Schumacher also summed it up when he said that „large-scale enterprise is not conducive to the public welfare. What is at stake is not economics, but culture, not the standard of living but the quality of life”.

Schumacher backed small-scale enterprise where „private ownership is natural, fruitful and just”. In the UK alone there are 5.7 million micro businesses which are 99 % of all businesses in the UK. They are making the biggest contribution to innovation, communities and society. Nearly every new job in our economy comes from new micro-business owners (1-9 employees).

Independent business owners are doing great things for people, not profit, through the collaboration of hundreds of networks and membership organisations. So, we're not looking for Government intervention or legislation but we do want Government to respect the "Small is Beautiful" values which so many of us believe in. Their respect for these values will lead to a better, more equal society as Government can enable a more level playing field for enterprising people vis-a-vis large corporations.

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10 See at https://pressroom.journolink.com/tonyrobinsonobe/release/small_is_beautiful_roll_of_honour_launched_3568
DEVELOPMENT OF ON-LINE TUTORING INTERNATIONALLY

ABSTRACT

Tutors are private instructors who teach a single student or a very small group. With online tutoring, learning can happen anytime. The perceived anonymity of online learning creates a safety net. The paper explains the reasons of choosing online tuition.

The main platforms for online tutoring are Skype, Webex, Scribblar and Blackboard.

The author presents case studies to underline the significance of the online tutoring.

Keywords: Tutor, online tutoring, platform for tutoring

JEL Classification: A22

WHY ON-LINE TUTORING?

What exactly is a tutor? They’re typically private instructors who teach a single student or a very small group. They usually teach outside of school hours and concentrate on areas that an individual may be struggling or looking to advance in by providing support, effective studying techniques, and test-taking skills.

There are many different reasons why parents may hire a private tutor. Some families are looking for remedial or general help for a student who is catching up with grade-level skills or course materials they’re struggling with. Others are searching for maintenance, or general tips and effective study habit techniques that will keep them on par with their current workload. [1]

With online tutoring, learning can happen anytime. This gives access to answers when questions come up -- there's no waiting until a scheduled day and time for problem solving.

The variety of teaching aids online helps understanding for all learning styles. Instant-messenger, text chat, Skype, shared whiteboards, shared files, graphics are only a few of these tools.

The perceived anonymity of online learning creates a safety net for even the shyest student to ask questions and explain what they need to understand within the comfort of their home.

Kids these days are actually ‘in their natural habitat’ online and love it. Even if parents are not as comfy working online, students find it wonderful, helpful, and convenient.

Online tutoring allows tutors and students to interact from the comfort of their own homes. Studies show that comfort is of paramount importance in promoting meaningful learning. Online tutoring offers all the services of a tutor from a worldwide network of individuals who are trained in particular subject matters.

Online tutors hold a wealth of knowledge, experience and academic degrees. Having someone who is truly excited about what they're teaching will help your children become passionate about learning.

Children get both personalized tutoring with expert tutor which is value for money and full attention of the tutor and personal service which will help you at every step.

11 Johanna Mitchell specialises in providing expert and multi-lingual education support to both UK and expat families. She has over 20 years’ experience in education and management including international roles in Whitehall, UK government and as head of a small, private school. A graduate of London University and the Sorbonne, Johanna believes in providing a top quality, sensitive service to her clients. The Lumos Education team have helped many families find the right education solution for their children. In addition to English, we are able to support families in a number of languages including French, Russian, Chinese and Arabic.
Learning online enables students to engage more easily with multimedia resources and the wealth of extension material that is available online.

**ON-LINE TUTORING OF FACE TO FACE**

Whilst most private tuition is indeed in person, online tutoring is a growing segment of the private tuition industry. We can define online tuition as “synchronous (live) tuition provided by a human tutor over the internet to one or more students”.[2]

**Reasons for choosing online tuition**

- More convenient than in-person tuition
- Tutors tend to charge less for online services
- More flexible than face-to-face tutoring, with tutors happy to provide shorter more frequent lessons if necessary
- A great option for families with mobility issues (the greener option)
- Online tuition could work better for children with certain special educational needs

**Advantage of facet on face:**

- It is easier to establish a rapport in face to face tutoring than in online
- Posture, facial expression, tone of voice and how tense the student are easier to detect

**Hybrid model?** It is important to build a good relation with the tutor. There may be a hybrid model of on-line tutoring, when a tutor will work with a student online most of the time, but still visit the home for the first session and then once every month or so after that.

**Platform to deliver on-line tutoring**

<table>
<thead>
<tr>
<th>Platform</th>
<th>Use</th>
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<tbody>
<tr>
<td>Skype</td>
<td>Internet based communication software that allows free video calls. <a href="https://www.skype.com/en/about/">Website</a></td>
</tr>
<tr>
<td>Webex</td>
<td>Online meeting, and videoconferencing application. <a href="http://blogs.cisco.com/home/what-is-webex-a-cool-way-to-have-an-online-meeting">Website</a></td>
</tr>
<tr>
<td>Scribblar</td>
<td>Online collaboration tool. It features live audio, chat, whiteboard, image sharing, document sharing and more. <a href="http://www.bucks.edu/media/bccmedialibrary/tutoring/documents/GuideUsing%20Scribblar.pdf">Website</a></td>
</tr>
<tr>
<td>Blackboard</td>
<td>Web-based learning management system (LMS) designed to support fully online courses. <a href="https://en.wikipedia.org/wiki/Blackboard_Learn">Website</a></td>
</tr>
</tbody>
</table>

**CASE STUDIES** [3]

Students who receive private tuition perform better than 98% of non-tutored students.

86% of the student said they felt more confident about doing their homework and study after consulting a tutor from YourTutor.

75% student said online tutoring from YourTutor helped with their marks at school.
Thanks to the growth in technology over the past couple of decades and with it widespread access to the Internet, one-to-one learning is no longer restricted by economic circumstances, geographical location or time-pressures.

When delivered by the right person, tutoring can be beneficial on multiple levels. However, traditionally individual tuition sessions were arranged on a weekly or fortnightly basis, which reduced the immediacy of the interaction and the impact of prompt, constructive feedback. The internet overcomes this by enabling on-demand, instant interaction between student and tutors, allowing students to get instant help when they need it most.

Students need help with core subjects

<table>
<thead>
<tr>
<th>Subject</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Mathematics</td>
<td>47.6%</td>
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<tr>
<td>English</td>
<td>23.6%</td>
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<tr>
<td>Science</td>
<td>21.5%</td>
</tr>
<tr>
<td>Study Skills &amp; Research</td>
<td>4.6%</td>
</tr>
<tr>
<td>Finance &amp; Business</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

81% of the students looks for help after 5 pm, while 19% of the students asks held before 5 pm.

1. **Natasha Saunders, aged 19, London, UK**

   Natasha was studying for a third A level year, doing one additional A level in English Language, to add to her previous three. She was hoping to study English Literature at university. Natasha had a busy life so she chose online tutoring through Lumos Education to give her flexibility and the option to be tutored online, even whilst travelling.

   Natasha said: “Your tutor helped me in my final year of A levels studying English at home. The quality of tutoring was outstanding with the tutor giving 100 percent support, even outside of the allotted tutoring time. A few years down the line, I am in my final year of University studying English Literature. I wouldn’t be here without your help.”

2. **Moscow family with two daughters, Russia.**

   Moscow based family wanted a British tutor to help their two daughters to improve their English and to prepare for entrance examinations to British schools. They opted for online tuition, rather than a resident tutor, as this fitted in with the busy lives that the family led, including frequent travel and extra-curricular activities. The tutor was able to work with the girls once a week and both girls gained access to their preferred British schools.

   The mother said: “I think the lessons were absolutely perfect. We are very happy with the results. Thank you.”

**THE RISE OF ONLINE SCHOOLS**

Innovation is transforming a complicated and expensive sector to a simpler and more affordable one. This will allow students to learn at their appropriate pace and path, thereby allowing each student to realize her fullest potential.

Lessons are delivered in live, interactive classrooms by a professionally qualified teacher. The nature of our teaching environment means that disruptions and bad behaviour are a thing of the past – pupils can concentrate on their learning without interruption and are always able to message the teacher with their particular questions, comments or contributions.

Established in 2005, InterHigh is a complete independent online Secondary School and Sixth Form College. We welcome pupils from across the UK and Internationally. The school has taught some 5,000 pupils and currently has around 1,300 pupils on roll aged between 10 and 19. About 30% of pupils study outside the UK. [4]

Gabriella Swirling in her interview with David Massie, Chairman of the WEY Education, which acquired InterHigh in February 2015, focused on the Chinese market. [5] Massie said the following: “Look at China, the numbers are astonishing. One education group I meet had 400,000 students go to university and 1,000 went...”
oversea. Another group, a language teaching one that started in 2003, has 80 million students on its database. If I can get a few thousand from China, there's plenty to keep me busy.”

Check the facts:

- InterHigh annual fee: GBP 2,500
- Student with InterHigh: 600
- Teachers employed by InterHigh: 40
- Teachers on waiting lists: 300
- InterHigh student who go to university: 50%
- Oxbridge graduate who studied with InterHigh: 2

SUMMARY

- Online tuition is more convenient than in-person tuition
- 21st century students feel comfortable using current technology to learn
- There are plenty of platforms to make the most of online tutoring
- Research has demonstrated that online tuition is efficient and does help students
- Online tutoring is believed to become the predominant teaching method in the near future

Excerpt from Lumos brochure

http://www.lumoseducation.com/

Lumos Education is a specialist provider of education services in the UK. We work with families from all over the world to ensure that their children have access to unrivalled education opportunities. We take great care to make sure that our education advice is tailored to your family’s individual needs. We put your child’s success and happiness at the heart of every decision we make.

Our in-depth education advisory services are available to help you to find the right school or university for your child. Our Relocation Service aims to ease your transition to life in the UK by taking care of your family’s education needs. We arrange for individual tuition programmes carefully tailored to help your child achieve his or her academic goals. Our tutors are subject specialists selected for their experience and their proven ability to help children to succeed.

Integrity and confidentiality are central to the services we provide. Each family’s circumstances are treated with total discretion. As a small company, we are able to provide a dedicated service

LITERATURE

[4] InterHigh, https://interhigh.co.uk/
THE IMPACT OF THE BREXIT ON THE UK SMEs

ABSTRACT

The paper presents the Article 50 of the Treaty of Lisbon with right to any member state to leave the EU based on the withdraw agreement. The process of leaving the EU – called BREXIT - was initiated by a Referendum held in June 2016. The EU as well as UK budgetary contributions are summarized too.

SMEs are the lifeblood of the British economy. Majority of the UK's 5.7m total businesses in 2017 are confident that their businesses will growth during the next five years. The MyKinsey Co advises SMEs how they could move ahead in the current IT world-wide rapid change and competition.

At time being the UK Government does not have a parliamentary majority and is attempting to implement the outcome of a referendum decided by a narrow majority. The situation is stalemate. In spite of the fact that majority of the population voted to leave the EU, some MPs torpedo on the withdrawal, they intend no to leave, not to negotiate.

Last but not lease the paper summarized why British citizens and SMEs intent to leave the EU.

Keywords: BREXIT, withdrawal of the UK from the European Union, Article 50 of the Treaty of Lisbon, impact of the Brexit on the UK SMEs, why to leave EU

JEL Classification: F14, G28, L26

WHAT IS THE BREXIT AND HOW IT IS IN PROGRESS?

BREXIT (a portmanteau of "British" and "exit") is the withdrawal of the United Kingdom (UK) from the European Union (EU). The UK joined the European Communities (EC) in 1973 under the Conservative government of Edward Heath. The EC membership was endorsed by a referendum in 1975. Withdrawal has been advocated by Eurosceptics, both left-wing and right-wing, while pro-Europeanists have advocated continued membership.

Article 50 of the Treaty of Lisbon gives any EU member state the right to quit unilaterally and outlines the procedure for doing so. It gives the leaving country two-year ptiord to negotiate on the divorce and drawing up the broad outlines of a future relationship. The Article 50 can be divided into two parts: the first declare the right that a member state can leave to EU. The second part establishes the procedure how the withdrawing member state as well as the EU institution can manage the withdrawal.

Three territories of EU member states have withdrawn: French Algeria (in 1962, upon independence), Greenland (voted to leave in 1982 and left in 1985, following a referendum) and Saint Barthélemy (in 2012), the latter two becoming Overseas Countries and Territories of the European Union (OCT). The main reason for leaving is disagreements about the Common Fisheries Policy and to regain control of Greenlandic fish resources to subsequently remain outside EU waters.

The draft Brexit withdrawal agreement stands at 599 pages long. It sets out how the UK leaves the European Union. It covers how much money the UK owes the EU - an estimated GBP 39bn - and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK. It also proposes a method of avoiding the return of a physical Northern Ireland border.

The process of leaving the EU was initiated by a Referendum held in June 2016 which favoured British withdrawal from the EU with a 51.9 % majority. The referendum turnout was 71.8%, with 33 million people voting. David Cameron resigned as Prime Minister over EU referendum result. However, he declared the following: "The country has just taken part in a giant democratic exercise — perhaps the biggest in our history. Over 33 million people — from England, Scotland, Wales, Northern Ireland and Gibraltar — have all had their say. We should be proud of the fact that in these islands we trust the people with these big decisions. We not only have a parliamentary democracy, but on questions about
the arrangements for how we are governed, there are times when it is right to ask the people themselves, and that is what we have done. The British people have voted to leave the European Union, and their will must be respected.”

Although legally the referendum was non-binding, the government of that time had promised to implement the result, and it initiated the official EU withdrawal process on 29 March 2017, meaning that the UK was due to leave the EU before 11PM on 29 March 2019, UK time, when the two-year period for Brexit negotiations expired.

The UK triggered Article 50 on 29 March 2017, which means the UK was due to leave the EU at 11:00 pm on 29 March 2019. But on 20 March, Theresa May wrote to the President of the European Council Donald Tusk asking for an extension until 30 June. The next day, the Prime Minister and the EU27 agreed two options:

- The first is a Brexit delay until 22 May but only on condition British MPs approve the withdrawal agreement before 29 March 2019.
- If MPs reject it, the UK will have until 12 April to present EU leaders with a way forward or leave with no deal. [3]

As a member of the European Union the UK makes contributions to the EU budget. The UK also receives funding from the EU. The EU provides funding for various agricultural, social, economic development and competitiveness programmes. In 2017 the UK made an estimated gross contribution of GBP 13.0 billion. The UK received GBP 4.1 billion of public sector receipts from the EU, so the UK’s net public sector contribution to the EU was an estimated GBP 8.9 billion. [4]

**BREXIT AND THE UK SMEs**

Most academia and media focus on the Brexit impact on large companies. However, there is a little evidence related how SMEs likely to be affected.

Small and medium-sized companies are the lifeblood of the British economy. They create jobs, growth and innovation in an era of political and economic volatility. However, despite making up 99% of the UK’s 5.7m total businesses in 2017, and 60% of total UK private sector employment. SMEs also account for 73% of all net private sector job creation in the UK, creating about 2m jobs since 2010. Therefore SME response to the Brexit has significant implications for the whole economy.

According to Dan & Bradstreet report on UK SMEs: Brexit and Beyond [5] the UK is still ranked in the top ten most competitive economies by the World Economic Forum, this is far from assured after Brexit. The health of our small businesses will be critical to the country’s future. In these times of uncertainty and rapid change, it’s more important than ever to understand the position of SMEs – the environment where they operate, the biggest challenges and opportunities, and their plans beyond Article 50.

The Dan & Bradstreet shows that business confidence has dropped by 19% in the last year. There is a fear from uncertainty, some SMEs might that nearly a third of SMEs are considering leaving the UK, but more than half (58%) are confident that their business can achieve financial growth over the next five years, suggesting that SMEs remain optimistic and determined to succeed.

Unfortunately that UK Government does not have a parliamentary majority and is attempting to implement the outcome of a referendum decided by a narrow majority. The situation is stalemate. In spite of the fact, that majority of the population voted to leave the EU, some MPs torpedo on the withdrawal, they intent to leave, not to negotiate.

The McKinsey Company in his study as of March 2019 urges UK businesses to stop waiting for the uncertainty about Brexit to disperse. [6] The global megatrend in the world requires action today. The UK businesses must seize opportunities in the fast-growing services and digital trades, intensify efforts in emerging markets, and reconfigure supply chains to take advantage of new technologies.

The global market for traded services is growing more than 60% faster than goods trade. Some subsectors, including telecom, IT, and business services, are growing two to three times faster. In fact, global trade in services already exceeds that in goods when measured in value-added terms. In digital trade, a remarkable transformation is underway. Alibaba’s AliResearch projects that cross-border B2C e-commerce alone will grow to approximately USD 1 trillion by 2020. Cross-border data flows have increased nearly 150-fold since 2005.
In order to explore full potential in export, the UK Productivity Performance highlights the action needs to happen at the level of individual business. [7] Whatever the outcome of the Brexit will be, the McKinsey Company call companies that they should act in three spheres:

- “First, UK exporters need to prioritize growth, speed to market, and proximity to customers. With the economic center of gravity shifting east and south, businesses need to be present in the world’s big growth markets. Over the next 15 years, China’s working-age-consumer segment will expand by an additional 100 million people. The speed of innovation in the digital powerhouse that is China is both a challenge and an opportunity; companies require customer-centric operating models to succeed. For example, product managers responsible for developing new offerings need the authority to make decisions quickly and to hold staff from functional groups accountable.

- Second, UK companies need to make the most of digital technology to optimize their supply chains. By better capturing individual-customer data, companies can improve demand forecasts by up to 90 %, minimizing the cost of lost sales and customer disappointments. They can also reduce logistics costs by up to 30 % - for example, by using dynamic routing, capacity-sharing platforms, autonomous vehicles, and 3-D printing. With advanced-systems support, they can automate as much as 90 % of all planning tasks, delivering better quality compared with tasks performed manually. The same tools can dramatically reduce inventory needs.

- Third, to respond to the rapidly changing environment, UK companies need to become more agile as a whole, beyond digitization, customer centrality, and supply-chain optimization. In the survey, respondents in agile units were 1.5 times more likely than others to report financial outperformance. The path to agility depends on the starting point, so the first step is to identify where the biggest pain points lie, and address these. However, in all cases, it will be necessary to put in place incentives to reinforce the new, agile behaviors.

The Institute for Manufacturing at the University of Cambridge forecasted the expected result of the Brexit on the 246,000 manufacturing SMEs. The critical role of Brexit consists of the following three fields: a large trade deficit, poor productivity growth, and low levels of SME innovation. [8]

- First, the UK’s long-running trade deficit could be worsened as European supply chains make plans to withdraw to the continent. The survey also shows that severing supply chain ties travels in both directions. Nearly one-third of UK businesses that use EU suppliers are now looking for British replacements. But UK domestic supply chains are relatively weak and it is not clear whether they will be able to take advantage of emerging opportunities.

- The second challenge is productivity. The UK has a long tail of unproductive firms hindering supply-chain competitiveness. According to the Bank of England, one-third of companies have seen no increase in productivity growth since 2000. Many SMEs have weak internal R&D and managerial capabilities, making them unable to update production processes and adopt new technologies.

- Third is innovation. While the scientific output of the UK is world-leading, many SMEs are unable to reap the benefits. The smaller the company is, the harder it is to innovate or capitalise on its innovations.

The CATAPULT Program is a network of not-for-profit, independent physical centres which connect businesses with the UK’s research and academic communities. Each Catapult centre specialises in a different area of technology, but all offer a space with the facilities and expertise to enable businesses and researchers to collaboratively solve key problems and develop new products and services on a commercial scale. Whether a business is in need of a new manufacturing process, a fresh approach to digital rights protection, or a new way of balancing energy demands in a future city environment, Catapults can help them. [9] According to the 2015/2016 Report 636 academic collaborators supported 2850 SMEs, delivered 2473 industrial collaborations. The Open Access Research and Demonstration Program has GBP 850 m operation facilities.

Yet the opportunity for SME growth post-Brexit is huge, given proper investment. Research commissioned by the Confederation of British Industry, the UK’s main employers’ group, estimates that strengthening supply chains could add GBP 30 billion to the UK economy and create more than 500,000 jobs by 2025. [10]

WHY LEAVING EU?

The main political leaders were suspicious Britain. After the WW II Britain was economically weak, and the European Economic Committee felt that the continental market would not benefit if Britain joins the free trade zone. The British application to join the EEC was blocked by France in 1963 and 1967. French President Charles
de Gaulle argued that the British economy was in many ways incompatible with the rest of Europe’s. Britain was considered as a naval power, whose primary response to Napoleon, for example, was to protect itself through a blockade that weakened France. From de Gaulle’s point of view, Britain fought World War II the same way – by shielding itself and abandoning France. [11] De Gaulle believed that the British economy is incompatible with Europe. Addition to this Britain’s relationship with the United States and the Anglo-Saxon relationship troubled him deeply. In any case de Gaulle afraid that by joining Britain to Europe, France could not dominate anymore. This scenario led to the worst political crisis with France. Summarizing, EU is not a mean of solidarity and harmonic coexistence, rather smart fight for the power between European political leaders. This is what we Hungarian feel in these days, when Brussels attacks Budapest not accepting the imperial will trying to create a multicultural European society instead of homogenous Christian nations.

In 1972, when the Heath Government desided to join Britain into the Common Market, the British people were told it was merely a free trade association. Nowhere in the European Communities Act 1972 does it actually mentioned UK trade with EU. Under British law and the Constitution, the only body that has the legal authority to create and pass laws in the UK is still the Parliament at Westminster because the 1689 Bill of Rights. Despite this legal injunction, various UK governments have signed up to various EU treaties over the past 44 years, and the UK has had to “adopt” into British law all laws that are made under the competence of the EU, principally in the form of everincreasing EU Directives and Regulations. These Directives and Regulations including how to kill a pig and what should be the crookedness of a cucumber, bind hand and foot of the British economy. The replacement of education with indoctrination of liberal political correctness destroys and kills the healthy national consciousness.

And while it cannot be doubted that some of these laws and regulations have had a positive effect, but most of these regulations actually do not apply to the circumstances that obtain in the UK. The contry lost control of setting British rules/laws/quotas, to “Brussels”. The majority of the British people are full that they have no right „to go for a pee unless Brussels Eurocrats do not tell them with which hand they allow to pull down the zipper”. UK need freedom, and the expectation from Brexit in respect of laws therefore is that the British people, will regain the right to make the laws that apply in the UK, through their elected MPs.

The question and contribution of the small to medium-sized enterprises (SMEs) is very crucial issue. Nearly 5.5 million SMEs are operating in the UK private sector. But just 8% of them actually directly export to the EU. So while the UK is still a member state of the EU, these SMEs must comply with Single Market regulations. But what about the other 5.1 million SMEs? Do they also have to comply with EU regulations? [12]

Another problematic issue and fact is that the great majority of EU legislation is made directly by the unelected and unaccountable EU Commission, and is not subject to EU parliamentary scrutiny. It is also a fact that, under the terms of the various EU Treaties, the EU Commission alone has the power to legislate in various areas on its own account without reference to the EU Council - for example, in certain areas related to state aids (e.g. financial support from public funds for commercial enterprises).

While losing national control on legislation and regulations, the British contribution sent to the EU is enourmous high: GBP 350 m/week. Many citizens raisez the question why not no pay this money to the National Health Service (NHS)?

One of the problems lies in the final trade relationship blocking opening the border agreement lies. The problem is that trade is the one area where the EU and Europe are synonymous; there is no way to sever links with one and not the other. The most problematic issue is the Irish border. Right now, because both the Irish Republic and Northern Ireland are in a customs union and single market, trade goods can move freely between them. But the EU contends that without those conditions, trucks will need to be stopped and inspected. This poses a threat to the Good Friday Agreement signed on 10 April 1998, [13] and the fragile peace that has existed between Ireland’s Unionists and Republicans for three decades.

Uncapped migration of workforce between EU, over which “Britain is not able to make its own laws or controls” due to the European Union Membership. By leaning the EU, the UK will be able to use its own judgement to decide immigration criteria and quotas based solely on its economic needs without being forced to allow people to enter the country purely because of the passport they hold. The overwhelming number of immigrants originally employed in the NHS came either from the Commonwealth or the British Overseas Territories. But opening up jobs to EU immigrants has done much to persuade citizens from these countries that the UK no longer welcomes them, preferring instead to employ people from the near Continent.
EXPECTED RESULT OF THE BREXIT

Theresa May, Prime Minister has written to the European Union to request a further delay to Brexit until 30 June. Since the BERXIT did not happened on 12 April, as it was scheduled to happen, the current stalemate continues. There is a possibility at the summit that the EU will suggest a different length for any extension - they could suggest a longer or a shorter delay. It would require a long delay to Brexit and the UK would have to take part in the European Parliament elections in May. European Council President Donald Tusk has proposed to allow the UK the flexibility to leave the EU whenever British lawmakers approve and ratify a deal within the 12-month period. It is a question mark what the future brings us, however, we shall follow this process with great attention. Especially looking back to the past four year of the EU Commission President Jean-Claude Junker main achievement: the BERXIT and missmanagement of the migration by deleting the European ethnic structure.

According to the Guardian “in the current climate of uncertainty and tension, we remain deeply committed to our European coverage. In the coming weeks and months, we will continue our mission to look outwards rather than inwards, to stay connected and inclusive. The elections matter the EU, because the 751-seats European Parliament amend or rejects EU laws. Majorities will be harder to form and less stable; nation-first parties seeking “less Europe” and more power for member states will have a greater influence on policy. At a time of many challenges for the EU – climate change, migration pressures, looming trade wars, eurozone reform, regional security, defiance of the rule of law in Hungary and Poland – this could be a complicating factor.”

LITERATURE


[14] How will Brexit affect European election around the EU? https://www.theguardian.com/politics/2019/may/12/how-will-brex...
LOOKING CONSCIOUSLY INTO THE FUTURE: WHERE TO LIVE, WHAT TO DO
Part II.

ABSTRACT

The major type of activity of people living in eco-villages is eco-tourism and eco-health-educational activities. This article provides an example of the new Russian eco-village “Derevnya Mira” (the World Peace Village) that despite being a cottage settlement will have education, health and park clusters. The second chapter of this paper is focused on description of global eco-villages picture.

Eco-inhabitants often work in cities providing seminars in services in body-oriented practices – the type of activity that will never be robotized. Moreover, taking into account future tendencies of the increasing competitiveness for resources, and associated with that mental strain of people living in cities, body-oriented services such as sauna, yoga, massage will be even more in demand. Additionally, future developments give people more possibilities to live interesting lives, so they will demand the services that could provide them better health and longer life. The third chapter of this paper gives the example of the business model focused on provision of bathhouse services and yoga practices that improves health and gives longevity.

Keywords: future cities, SDG, PPPP, GEN, eco-village, Derevnya Mira, health, longevity, bathhouse, sauna, yoga.

JEL Classification: I1, H7, O3, R0

2.2. Eco-villages of Russian Federation

There are about 500 eco-villages in Russian Federation. The majority of them are Megre’s ancestral estates (see below) and only 1/5 of them promote other ecological values. Most eco-villages are very small, consisting of just several families, or function during summer times.

By 2010 336 families lived in 55 eco-settlements in the European part of Russia, and 105 families in 25 eco-settlements in Ural and Siberia. 10 of them were considered to be the largest ones and included 228 families, while the rest of families (213) lived in the remaining 70 settlements.¹³

There are Eco-villages in Russian Federation that are members of GEN. They are¹⁴:

1) Shiram – a settlement in Tverskaya oblast active from 1990s; from 2007 provides for the space for personal transformation practices¹⁵
2) Ethic eco-village – an ethnographic park with the purpose of giving people the possibility to understand every culture of the World. By 2020 they are going to become a creative city including the innovation school, and spread their activities to the Europe and USA.¹⁶
3) Grishino – authentic village (the monument of architecture) created by spiritual people to live in harmony with nature. 7 families are constantly living there. Educational seminars are provided for visitors.
4) Nevo-Ecovil – one of the oldest eco settlements in Russia, in Karelia.¹⁷ They were the first Russian memberof GEN and financially supported by Gaia Trust.

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¹² Former Senior Research Fellow of the Institute for Economic Research and Policy Consulting in Kyiv
¹³ http://www.eco-krug.ru/spisok-poseleniy (the list of active eco settlements by the state on 2010)
¹⁵ http://shiram.daism.ru/
¹⁶ www.ethnomir.ru
¹⁷ http://nevo-ecoville.narod.ru/
5) **Kitezh Children’s Community** – a unique project in Kaluga region existing for more than 20 years. This is a space for families with many children (including adopted children) with own rules and education cluster.18
6) **Kovcheg** – situated in Kaluga oblast on the land territory of 121 ha and has about 80 families living there.19
7) **Blagodat** – originated in 2003 in Yaroslavskaya oblast, it has own operational school and summer camp for children. Also from 2009 it conducts annually the festival Sotsvetie and other social activities.
8) **Dobraya Zemlya** – famous for conducting eco-programs for teenagers from 8 to 16 years old.20
9) **Natural school** – situated in Moscow and Tula oblasts, has two educational programs: the school of eco-furnishing, engineering, design, architecture of Tom Soyer and Huck Finn.

And several smaller eco-projects:
10) **Yasnoe** – situated in St.Peterburg oblast, functions from 2007 with 10 families; conducts seminars in milk and bee households, has biovegetarium.
11) **Verkhny Bereznik** – situated in Arkhangelsk oblast, famous for two organized schools: village housekeeper and forestry.
12) **Ecovillage light “Meganom” in Crimea.** The project consists of two parts – Eco Settlement Megan and Crimean Science City of Atlantis. The founders and activists of this project aim to build an eco city on the basis of eco-technologies and unity with nature.
13) **AZ Eco-village** – a biosphere settlement in Altai mountains. Besides being just a settlement with own values (love, freedom, development), they aim at creating of the Human Development Institute with preschool and school education.
14) **Podberezie** – created in 2013 in the north-east from Moscow (about 150 km), Yaroslavl region. This is mostly a summer ecovillage.
15) **GIFT** – a new settlement with 10 members in Krasnoyarskiy area with no payment for land property.
16) **Kulbash** – a new settlement in Tatarstan with 2 members only.
17) **Lubinka** - the partnership with the goals of creating an ecovillage in Ozery district, Moscow region (140 km south of Moscow), and selecting and developing pilot programs that can be replicated in other ecovillages throughout Russia.
18) **Common House** – Vasjunino – situated 230 km to the east from Moscow in the low-populated wilderness area, it is a summer eco-living that stays at the beginning stage of development.
19) **Big Stone** – eco small settlement of 2 people in Vologda oblast
20) **Edinstvo** - organized by NGO “Yav” in Rostov-on-Don, with the plan of living for 40 families.
21) **Matino** – situated in Tverskaya oblast, has several houses, conducts different folklore festivals and seminars.
22) **Novye Polyany** – situated in Krasnodar kray, conducts many seminars for children and youth, aims to organize a Stainer’s school.
23) **Lyubodar** – situated in Vladimirskaya oblast, has 18 families, develops economic programs for their inhabitants.
24) **Svetogoriye** – new eco settlement in Pskovskaya oblast originated on the bases of experimental center of education (two big projects of all-Russia scale ATON-center21 and Skazochnaya Rus (a fairy-tail Rus))22
25) **Yasnaya Sloboda** – originated in 2016 on the basis of educational activities of 12 families (school, kindergarten) in Tulskaya oblast.

There is also a big movement of authentic eco-livers in Russia that are followers of the books written by Vladimir Megre about the woman named Anastasia that lives in a deep forest. These are very big groups of strong people who form eco-villages in spaces far away from cities with no connection to modern lives. These people build ancestral estates on the territories of no less than 1 ha for each family. Currently there are 383 settlements in different parts of Russian Federation on different stages of development.23 Also they have 129 settlements abroad.

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18 https://materinstvo.ru/art/9417
19 http://www.eco-kovcheg.ru
20 http://dobrayazemlya.ru/onas/
21 http://www.aton-center.org/
22 www.русскаясказка.com
23 http://www.anastasia.ru/static/patrimony_list.php
in Armenia, Belarus, Hungary, Germany, Kazakhstan, Latvia, Moldova, USA, Ukraine, Czech Republic and Estonia.24

The common drawback of all eco-settlements in Russian Federation is absence of needed infrastructure. Therefore, in 2013 a businessman of Novosibisk oblast, Andrey Alekseev, started a unique eco-project “Derevnya Mira” (the World Peace Village) that will have all needed infrastructure for living, health, education and rest. The next his step is to build a city of the future in Altai Republic based on the experience obtained in Derevnya Mira’s project. A huge land plot (with the possibility to increase the territory further) has already been purchased by him in the place notified by Roerich25 as the territory for the new city of the future.

2.3 Derevnya Mira – The World Peace Village

Derevnya Mira is a conceptual cottage settlement with high life quality standards. The eco-village is situated in North-East of Novosibirsk city (the center of Siberia) on 255 ha of land. The village is located 20 km from the city. Currently 42 houses and apartments in one architectural style have been constructed.

This project is originated by a local entrepreneur, Mr. Andrey Alekseev. He is the owner of several businesses in Novosibirsk city, but Derevnya Mira is his social activity. At present the project is financed from his single investments.

The values promoted and goals to be achieved in this settlement include:

1) Health and ecology: internal and external purity, respect to nature, garbage separation, production and sale of healthy food. A so-called Retreat Hotel and a medical service point will function in the village to meet this goal.
   (i) Sale of tobacco and alcohol,
   (ii) use of chemicals and technologies harmful for health and ecology, and
   (iii) aggressive promotion/obtrusion of some ideas or religions are prohibited at the territory of the eco-village.

2) Good-neighborhood and consciousness: participation in the management of the settlement and in the improvement of common areas, respect and help to each other.

3) Self-development and education: provision of sport facilities and creative workshops for children and adult population, equipped facilities for organization of seminars and self-development practices

4) General events and cultural traditions: organization of regional festivals, concerts, active holidays.

5) Business-development: production and sale of eco-products (bio-vegetarian greenhouse will be built), remote company offices, stable, development of crafts, etc.

6) Taking rest: the Park, children playgrounds, outdoor simulators, forest, beach, fishing.

Security of the inhabitants will be provided via barriers at the entrance to the Village, checkpoint, 24-hour video surveillance and rapid response teams.

The houses are constructed from pine wood applying Canadian technology MiTek. Uninterrupted supply of heating and electricity, accident-free water supply and water disposal are controlled by a housing-management company.

The construction of the Village will be performed in 4 periods until 2027. In the first period houses and basic infrastructure is to be built. It includes (i) roads (external to the Village and internal inside the settlement), (ii) united communication and security system, walking zone, children playgrounds, and two artificial lakes with spring water. In future municipal transport will come to the Village.

The Retreat-Hotel includes (i) sauna complex with swimming pool, (ii) accommodation for 50 people, (iii) halls for group and individual practices, (iv) place for creative workshops, (v) restaurant, (vi) tea house with fireplace, (vii) eco-shop, (viii) SPA, and (ix) outside garden. The construction of the Hotel starts in late Spring 2018.

The idea of the Park is to bring a visitor to the present moment, to his/her higher consciousness. To achieve this different facilities and objects will be installed for interactive active or passive participation. It will include an open-air and covered zones, and is expected to have around 1500 visitors daily. The construction of the Park starts in Spring 2018.

24 http://www.anastasia.ru/static/patrimony_foreign.php
The School is a private school with the possibility to serve as a boarding school. The main education emphasis is to develop children’s creativity and leadership, allowing them to fully use the benefits of their individual capacities and giving the possibilities for self-improvement. Also the school will be focused on supplying of the ecological thinking and respect for nature and animals. The educational program will fully comply with the educational standards of the Russian Federation and combine the best Russian and international teaching methods. The construction of the School starts in Autumn 2018.

The Festival Glade is 12 ha of landscaped area for celebrations and events. It is a large territory with the possibility of installing a tent campus and infrastructure for comfortable living, relaxation, corporate events, festivals, trainings and health programs. Festival glade is a place for holidays and carrying out of national festivals. It is functional since summer 2014.

3. BUSINESS MODEL FOR HEALTHY AND LONG LIFE

Everything that we see around us was created with people’s minds. Everything is a result of thinking process of human beings. Current trends of digitalization, creation of future cities or eco-villages are not possible without mind activities. Our minds always try to create more comfortable and interesting todays and tomorrows. Present developments show that we are successful with that. However, our minds work within our bodies. To enable proper mind work, our bodies should be in warmth, satiety and good health (in other words, basic needs should be satisfied).

At present people have many possibilities to live interesting lives. With extended educational possibilities, they can learn more; with more open borders, they can travel more; with lower barriers for business development, they can wear more beautiful and unique clothes, build non-standard houses, use smart equipment and technologies, eat various food, etc. However, all these possibilities cost money. To earn and spend money people should use their bodies, which keep their minds. So, people want live healthy and long lives.

The interest of people in healthy and long lives is increasing. Massive production of food made it artificial; and together with badly controlled growth of cities, traffic and manufacturing lead to more illnesses of people. Inability of chemical medicines to support good health, made people to search for alternative solutions. These solutions started to come from more natural traditional methods used centuries before. Different types of new businesses started to grow providing these new methods; however, many of them did not find right solutions, and stayed just businesses for money but not for healthy and long lives.

To become really sustainable, such a business model should be based on two important pillars: (1) use of traditional practices (deeply rooted and historically documented), and (2) have long (hundreds years) healing trend (proved by personal stories).

Here we will describe two types of such businesses: traditional Russian healing method – Bathhouse (sauna) and the Indian one – Yoga classes and retreats.

3.1 The Bathhouse Complex in Derevnya Mira

The history of saunas and bathhouses starts from ancient India, Greece and Rome. Above thousand years before Christ, the prototypes of bathhouses were used in India with hygienic and medical purposes. In Greece it was a round room with a stone open hearth in the center; in Rome above 150 public baths were functioning. In V-VI centuries AC, bathhouses became very popular in Rus’ both for rich and poor population, and by XVII century a bathhouse had to be in every house by the tsar’s decree. The general construction of bathhouses that we know today do not have much difference from the past.

There are several types of bathhouses and saunas: (1) Russian bathhouse, (2) Turkish hamam, (3) Finnish sauna, (4) Japanese ofuro (a hot water bath), (5) Rome terma and (6) Infrared sauna. Each of them varies by temperature and humidity, which are achieved through the application of different technologies.26

Usually people like to try different types of bathhouses at one-time attendance. Therefore, bathhouse complexes are in demand. These complexes are associated with higher initial investments, higher operational costs and longer payback periods. Therefore, there are just several famous and successful bathhouses complexes in Russia. They include Ethnomir, Goosi-Lebedi and Drakino in Moscow region, Zdrava-dacha in Sverdlovsk region and Mira Center in Novosibirsk city. The Mira Center is a large bathhouse and sauna complex located close to the city center and owned by the same investor as Derevnya Mira project. The uniqueness of the Mira bathhouse

project is that it promotes healthy and eco-friendly life style with selling no alcohol and tobacco, as well as Mira’s bathhouses will soon appear in different Russian cities. The bathhouse complex that will be built in Derevnya Mira differs in style and the concept.

The Bathhouse Complex called “Five Elements®” will be a part of a Retreat-Hotel and the Park of Derevnya Mira. It will serve as a health center, the center of bath culture and bath tourism in the Siberian region. It will be located at the bank of a natural spring and designed in authentic style.

Its mission is (i) cleansing, healing and relaxation of the body, as well as harmonizing the body and spirit through authorized bath programs, phyto, sound and aroma therapies, and (ii) development and promotion of the bath culture. The Complex will be used for (i) collective and individual bath programs, and (ii) as the School of bathing skills, where master classes, seminars, training programs for masters and people wishing to learn the skills of steam bathing will be conducted. Also bath championships and festivals will be carried out there.

The bath complex will include 3 different baths: a standards Russian bath, an open-air vat (like Japanese ofuro) and an old-style bath known as a Bath in Black. This type of bathhouse has an open hearth, which heats not only the stones, but also the walls of the bath. Smoke from the hearth comes through the partially opened door and the vent in the ceiling. The usage of birch firewood helps to extract its tar for healing purposes (phytoncides). In ancient times this type of bathhouses were considered as the cleanest places and used for parturition. Also the Complex will include a tea yurt and a room with Russian stove for the relaxation of guests, as well as open-air wooden sunbeds, hammocks, swing-beds, a summer gazebo with a place for a fire. Altai herbs and traditional Slavonic recipes will be used for healing practices.

There are two important things for this type of business to achieve a sustainable health effect: (1) the right application of technology for the construction of premises to provide right humidity and temperature, and (2) the application of right healing methods (herbs, bathing techniques, scrubs, massage, sound therapy, etc.). Also sustainable health and longevity effects are achieved only in case of regular attendance of a bathhouse (at least once in two weeks) and adhering to basic healthy life principles (no alcohol and tobacco).

3.2 Yoga classes and retreats

Yoga is an ancient Indian science of achieving healthy body and mind, as well as bringing longevity and immortality through the application of different body poses (asanas) and achieving the state of meditation. According to Patanjali, the sage who wrote down the Yoga Sutras, Yoga is the removal of the fluctuations of the mind, and in the state of conscious awareness, special logic is accompanied by the appearances of, or experience of meditation in which all experiences and thoughts exist, accompanied by bliss and the experience of just “I am”. In fact, the definition of yoga is even deeper and includes at least 8 stages of path (limbs): Yama, Niyama, Asana, Pranayama, Pratyahara, Dharaana, Dhyana and Samadhi.27

Yoga is not a religion, it is a pure body and mind science as has been already proved by numerous science laboratories and researches. It can be practiced by the person indifferently of his/her religion, race, age, income, nationality, state of health, etc. The roots of yoga are in ancient India but it has nothing pure Indian in its nature.

The individually selected yoga practice can help a person not only to become healthy but to achieve his/her life purpose, because meditation is not possible without overcoming the state of making your wishes come true, achieving sancalpa (intentional and spontaneous concentration, determination).

There are a lot of yoga schools nowadays. However, not all of them teach the “right yoga”. Many schools serve just like a business model that make people happier for a certain time period but are unable to provide a sustainable effect. Definitely, to achieve sustainability here, the efforts should come from both sides: the school (trainer) and the trainee. However, still the school itself is very important, and the major thing here is to keep authentic traditions, adhere to an unbroken teaching line (called parampara or amnaya).

The styles and types of yoga that you may face today sometimes do not have nothing to do with yoga itself, i.e. dog or goat yoga, boxing or even beer yoga. There are types of yoga that are popular and provide good health effect like antigavity or wall yoga, but still this is not a yoga, this is a sport based on yoga. Only such schools that are linked to authentic traditions could bring people more than just body health. They include but not limited to

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27 The Yoga Sutras are widely regarded as the authoritative text on yoga, is a collection of guidelines for living a meaningful and purposeful life, outlining the eight limbs of yoga. https://www.yogajournal.com/practice/the-eight-limbs and http://yogasutrastudy.info/yoga-sutra-introduction/
Himalayan Sidha Yoga, Bikhar Yoga, Iyengar Yoga, Kriya Yoga, Authentic Yoga, Ashtanga Yoga, etc. Many of these schools use traditional hat-ha yoga exercises but there is no traditional hat-ha yoga school. The most famous worldwide yoga association that provides certificates to yoga instructors is Yoga Alliance and the traditional yoga schools listed above (they have own certificates also acknowledged by the Yoga Alliance).

Yoga classes in different traditions have different consequence of exercises and techniques provided. There is no standardized way of a yoga class delivery. Everything is subject to the theory, teachings and rules of a particular school, and also depends on a yoga flow that appears within certain circumstances (the preparation level of students, astrological signs, the Teacher message to be delivered, etc.). Yoga retreats can be conducted in a group or individually. They usually involve stricter rules (diet, timetable, mauna, behavior standards, etc.) for deeper concentration on yoga practice to achieve better results. Yoga retreats are often conducted simultaneously with the exotic holidays. This type of retreats are usually the group ones, and do not last longer than couple of weeks. Individual retreats can reach up to several years.

Yoga classes and retreats (programs for a week+) that are provided within Derevnya Mira align with traditional yoga practices of unbroken teaching lines.

CONCLUSION

The future is always challenging, but earlier preparation to it gives better results. Therefore, already now it is important for citizens and policymakers to learn about future development trends and start implementing needed changes in order not to be left behind. Key information can now easily be found and leaned online; international organizations are open to assist those cities and individuals who are ready to take an active position.

Individuals living in cities can become community activists, create subject blogs, nonprofit organizations or in other democratic and conscious way (meaning avoiding causing harm while creating positive value for anyone) attract government attention and even funding for the implementation of needed changes. Individuals living outskirts may create their own communities and sub-communities promoting high life standards. Policymakers and city/village officials should also take an active position towards achievement of sustainability, smartness, resilience by their cities. Continuous education will add a great value to this. Businessmen should increase their consciousness level and concentrate their attention on such kinds of activities that create benefits for the society bearing in mind that harming others never brings long-term happiness to the one. Also despite current digitalization and robotization trends, businesses focused on body oriented practices cannot be delivered online and thus will stay in demand.

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WES08 WORLD ENTREPRENEURSHIP SUMMIT – LONDON
INSTITUTIONAL PROFILE

FEDERATION OF SMALL BUSINESS

There are now 5.7 million small businesses and self-employed in the UK and it’s crucial they receive the support they need. The mission is to help smaller businesses achieve their ambitions. As experts in business, FSB is a not-for-profit campaigning organisation, that is led by its members, for their members. FSB was established in 1974 over 40 years ago, FSB offer vital business services to our members and provide a powerful voice in Government. With tens of thousands of members across all parts of the UK, our success helps drive the economy, creates jobs and makes our towns, cities and rural spaces more vibrant, rich and diverse places in which to live, work, study and visit. There are now more opportunities than ever to take the exciting, challenging and rewarding step of starting a business.

The digital revolution has diversified the small business landscape, from growing online sales to social media marketing; from modernising supply chains to creating new ways of finding finance and business support. FSB’s strategy is to pursue five corporate objectives:

1. To be recognised as the most influential and trusted business organisation
2. To value diversity and inclusion in everything we do
3. To be fully representative of the whole UK smaller business community
4. To provide the most valued package of business benefits and services
5. To provide the most effective networking for smaller businesses across the UK

The FSB Celebrating Small Business Awards recognise the best small businesses and the self-employed from right across the UK, from every sector and industry and from businesses of all ages and all sizes. (see https://www.fsb.org.uk/events/fsb-celebrating-small-business-awards-2019)

“small businesses at the heart of their community”
78% of small employers have at least one worker aged over 50

95% of all small employers have taken on at least one worker from a labour market disadvantaged group in the last three years

41% of small business employers offer work experience either as part of the recruitment process or through their community outreach

More information is available at https://www.fsb.org.uk/

You can follow us on twitter @fsb_policy.
UK SMALL BUSINESS STATISTICS

BUSINESS POPULATION ESTIMATES FOR THE UK AND REGIONS IN 2018

Summary

- There were 5.6 million small businesses at the start of 2018.
- Compared with the previous year, the private sector business population fell by 0.5% (-27,000 businesses) whilst conversely private sector employment increased by 2% (+304,000).
- This contrast is attributable to the number of smaller non-employing businesses falling by 1% (-50,000) but the number of larger employing businesses rising by 2% (+23,000).
- The decrease in the business population is the first fall in the series, which started in 2000. However, there were still 2.2 million (+63%) more businesses than in 2000.

SMEs and the Economy:

- Small businesses accounted for 99.3% of all private sector businesses at the start of 2018 and 99.9% were small or medium-sized (SMEs).
- Total employment in SMEs was 16.3 million; 60% of all private sector employment in the UK.
- The combined annual turnover of SMEs was £2.0 trillion, 52% of all private sector turnover.
Composition of the business population:

- In 2018 there were 1.4 million employing businesses and 4.3 million non-employing businesses. Therefore, 75% of businesses did not employ anyone aside from the owner(s).
- The overall business population includes three main legal forms: there were 3.4 million sole proprietorships (59% of the total), 1.9 million companies (34%), and 405,000 ordinary partnerships (7%).
- Of the 5.7 million businesses, 45% (2.6 million) were registered for VAT or PAYE.

Trends in the business population

- Between 2000 and 2017, there was sustained growth in the business population each year but most recently there has been a fall of 27,000 businesses (-0.5%) between 2017 and 2018. Nonetheless, there were still 2.2m (+63%) more businesses than in 2000.
- The majority of population growth since 2000 has been due to non-employing businesses, which accounted for 87% of the overall increase.
- Between 2017 and 2018, whilst the number of employing businesses increased by 23,000, non-employing businesses fell by 50,000, resulting in an overall decrease of 27,000 businesses.
- The number of companies has increased in the last year by 31,000 (+2%) whilst the number of sole proprietorships and ordinary partnerships fell by 49,000 (-1%) and 9,000 (-2%) respectively.

Locations and industries

- The number of businesses per person (business density) is higher in southern England than elsewhere in the UK.
- SMEs account for at least 99.5% of the businesses in every main industry sector.
- Nearly a fifth of all SMEs operate in Construction, compared with less than 1% in the Mining, Quarrying and Utilities sector.

The EYES (Emerging Young EntrepreneurS – Developing Entrepreneurial Spirit in Slovakia and Hungary) project implemented in the framework of the Interreg V-A Slovakia-Hungary Cooperation Programme (www.skhu.eu) in partnership with the Budapest Enterprise Agency, HEPA Hungarian Export Promotion Agency and the Institute of Management of the Slovak University of Technology (IM STU) in Bratislava is closing today.

The Slovak-Hungarian cooperation realised in the framework of the EYES project was an unambiguous success. Since the start of the project on 1st September 2017, numerous programmes and events have been implemented on a remarkably high level, all supporting the development of Hungarian and Slovak emerging enterprises and explicitly startups by enhancing both their competences and their visibility.

During the project the interested startups and emerging enterprises received theoretical and practical training in key topics such as business planning, international communications skills, online marketing tools (e-mail, Facebook, blogging), international marketing, master pitching, as well as intellectual property rights protection in Asian markets, to name a few. The study materials produced for the workshops and trainings are available on the e-learning platform of the project.

The Slovak and Hungarian startups participating in the project were presented at the Startup Night 2018, the most prominent event organised for the international startup ecosystem in Budapest with 50 exhibitors and 800 guests attending. The same participating startups had the opportunity to qualify for the 9th Be Smart startup competition and the three Slovak and three Hungarian winner startups were presented in the pitch sessions and in the exhibitions of the IV. Startup Budapest Forum and the Startup Expo, co-event of think.BDPST Festival.

The ultimate result of the EYES project was the promotion of innovative ideas into marketable business value which significantly enhances the economic growth of both Slovakia and Hungary. The participating startups and young entrepreneurs were provided with best practices in becoming successful in an international environment. There was mutually considerable interest among the Slovak and Hungarian startups towards the business opportunities of each other’s market. Based on the positive feedback on the usefulness and efficiency of the project, the Partners are committed to sustain and further develop the achievements of the projects.

Note: The project is implemented with the support of the European Regional Development Fund.

The information provided above does not necessarily reflect the official position of the EU.
SPACE –
EXPLORING NEW FRONTIERS AND
ENTREPRENEURIAL PLACES

In an environment of momentous change, both in the UK and the wider global stage itself, the need to address small business growth and entrepreneurship through collaboration has become imperative. The findings and lessons from academic research in the area need more than ever to be shared, discussed and actioned by the worlds of academia, policy and practice. All are being driven to find the most cost-effective and immediate solutions to their challenges, whether it be local, national or international.

Join ISBE 2019

Northumbria and Newcastle Universities are jointly hosting the Institute of Small Business and Entrepreneurship annual conference in Newcastle in 2019. This prestigious international event has a reputation for the highest-quality, cutting-edge entrepreneurial and small business research, both nationally and internationally.

We are delighted to be bringing ISBE to Newcastle and look forward to another stimulating and vibrant event. The ISBE event will be a catalyst for igniting a new type of innovative and dynamic entrepreneurial leadership necessary for unlocking entrepreneurial ambitions across businesses, support agencies and higher education not only in the North East of England, but also on the international stage.

We will redefine entrepreneurial spaces, literally and metaphorically to:

• Strengthen commitment to Enterprise and Innovation through impactful research that raises regional entrepreneurial aspirations
• Showcase the regions highly innovative and fast growing New Economy industries where knowledge is the key to business growth and sustainability
• Inspire the creation of globally connected innovative communities

Taking place over two days with over 350 attendees from more than 40 countries, the Organiser looks forward to welcoming experts and interested persons to Newcastle!

Dr Michele Rusk, Newcastle Business School, Northumbria University
Dr Robert Newbery, Newcastle University Business School

for further information see at https://isbe.org.uk/isbe-2019/
UNCTAD’S MULTI-YEAR EXPERT MEETING ON INCLUSIVE ENTREPRENEURSHIP FOR SUSTAINABLE DEVELOPMENT

The UNCTAD’s Multi-Year Expert meeting on Inclusive Entrepreneurship for Sustainable Development will be held from 17 to 19 June 2019, at the Palais des Nations in Geneva. The meeting will discuss how the sustainable and inclusive dimension of enterprise development could be enhanced by promoting entrepreneurship, responsible business practices and corporate social responsibility. Selected speakers will reflect on how entrepreneurship can create employment and improve the lives of people from all parts of society, including young people, women, migrants, people with disabilities and those with low incomes.

For registration please see at https://reg.unog.ch/event/28053/
or contact peter.navarrette@unctad.org
The foremost conference focused on entrepreneurship education will showcase innovative entrepreneurship research, teaching cases, teaching exercises and also create a forum for center directors and affiliates to present programs and ask for ideas. Get your New Orleans on, and bring your papers, exercises, programs and experiences to our annual conference for some Big Easy style fun.

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- Competitive Research Papers
- Emerging Research Papers

PROGRAM TRACKS: BUILD & COLLABORATE
- Programming Exposés
- Programming Challenges, Charrettes, and Workshops

We welcome work from all disciplines, centers and programs with a passion for entrepreneurship: Engineering, Business, Humanities, Music, Arts, Computer Science, Education... you name it! Questions for submissions can be directed to Jackie Timm, the USASBE Executive Director at execdirector@usasbe.org. Submission deadline is 10 September 2019.

Susana Santos
Senior Vice President – USASBE Conference

For further information see at https://mail.google.com/mail/u/0/#inbox/FMf cgxwCgVPxKCSQrlVXdTqPvQqzHJB
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