DEVELOPMENT OF SMALL BUSINESSES AT THE REGIONAL LEVEL

Olga Pavlovna Zvyagintseva
Institute for Tourism and Hospitality - 125438, Moscow, Russia

Olga Anatolyevna Blokhina and Sergey Aleksandrovich Bannikov
Financial University under the Government of the Russian Federation - 125993, Moscow, Russia

Valentina Mikhailovna Repnikova
Plekhanov Russian University of Economics - 117997, Moscow, Russia

Kostyantyn Anatol'evich Lebedev
Institute for Tourism and Hospitality - 125438, Moscow, Russia

ABSTRACT

The article is concerned with the elaboration of approaches to the development of small businesses at the regional level. It has been found that the development of small businesses at the regional level requires measures to accumulate internal and external investment resources, to improve the structure of investment sources and optimize areas for investment. It has been determined that further training of people who work at small enterprises and training of a region’s unemployed to learn the basics of entrepreneurial activities should include measures to organize the preparation and retraining of employees of local authorities and people who work in small enterprises in the conditions of the market economy, to develop training methodical materials and training aids on small business basics. While providing small businesses with the relevant information, it is essential to provide access to business information, to create a computer network for resource and goods bases and investment offers, to solve the problem of discussing draft regulatory acts in public and bring them to the attention of small businesses on time.

Key words: Small Businesses, Region, Market, Investment, Entrepreneurship, Efficiency, Enterprise


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1. INTRODUCTION

For Russia’s advanced economic development of special importance are those studies that aim to elaborate efficient measures to accelerate the development of market relations. One of the key elements of market reforms is small entrepreneurship. In developed countries, small businesses form an integral part of the economy because small businesses promote competition, create new jobs and take an intensive part in scientific developments.

Furthermore, small businesses guarantee the democratization of the economy, public life and maintain social justice in society. Foreign experience shows the efficiency of actions taken by small businesses in the modern economy because any economic system cannot exist without the balance between major and small businesses. In the conditions of a crisis, small businesses are one of the means to solve many socio-economic problems. Small businesses contribute to undermining monopolistic tendencies by developing intra-sectoral competition in the national economy.

Small businesses also play a leading role when it comes to changes in the structure of ownership because they represent private interests. Small businesses can become a base for creating new jobs in the labor market. For this reason, when unemployment is on the rise the development of small entrepreneurship provides ample opportunities for people from various social strata to find a job. The special role of small businesses is to support and develop certain sectors, retailing, services and catering.

Problems related to small business development in the modern conditions have been studied in the papers compiled by E.V. Astafiev [1], A.Yu. Novikov [2], S.A. Karpov [3], E.P. Kiselitsa [4], T.V. Mannakov [5], Yu.A. Sundikova [6], etc. The analysis of scientific papers has shown that it is necessary to develop scientific, methodical and applied aspects to develop small entrepreneurship.

2. METHODS

The study’s methodological basis is fundamentals of the modern economic theory. Set problems were solved by applying the systemic approach together with the advanced methods of research, namely historical and monographic methods, the abstraction method to study and generalize theoretical-methodological basis of establishment and development of small businesses; economic statistical and economic-mathematical methods, table, graphic and cartographic methods to reveal primary trends of small business development.

The study’s information base includes laws, statutory and legal data from public authorities, data from financial and managerial reports released by small businesses, papers of Russian and foreign scientists, Internet resources, documents that govern the development and support of small businesses [7, 10, 12].

In the course of the study, we plan to elaborate main areas for small business development, work out measures to coordinate small business activities, and to substantiate a statute to manage the development of small businesses in the modern conditions.

3. RESULTS

The practice has shown that minimum required operating standards for the market of small businesses and its common boundaries should be determined to develop small entrepreneurship at the government level. Apart from direct standards, it is essential for the state to perform economic regulation of market conditions and to create favorable conditions for small enterprises to do business.
However, macroeconomic regulation of market conditions for small enterprises cannot cover all aspects and consider territorial peculiarities. This problem can be solved by the regionalization of economic reforms, which can be reasonably considered as an important organizational managerial lever to increase the state’s influence of socio-economic processes because there are only local prerequisites to bring to life the government’s policy to provide support to small businesses as the most efficient economic driver, to ensure structural flexibility of production, efficient employment and social stability.

Focusing attention on regional management, we have highlighted four groups of measures that can help improve operating conditions for small enterprises. They are to offer incentives for small businesses to conduct entrepreneurship courses for the public; to increase demand for goods and services offered by small enterprises; to take account of supply and demand among small businesses; to assist regional development in financial, information consultative and methodical areas.

From the methodical point of view, these measures should be taken as a basis to influence market conditions for small business development. These measures are recommended to be integrated into divisions of local executive and local self-government bodies (departments responsible for entrepreneurial assistance) and regional small business associations that were established on a voluntary basis on account of member contributions.

Accordingly, gradual improvement of regional forms of the state’s small business management is based on the combination of the following key factors. Firstly, this concerns mandatory measures to define the peculiarities of a specific region, its current economic, natural and resource potential. Secondly, it is necessary to develop a system to monitor the development status of small businesses in order to be able to assess permanently their condition in the regional economic environment and to identify typical development trends and urgent problems that can be solved regionally. Thirdly, the management system becomes more efficient as regional economic and social problems are clearly determined.

An important aspect in setting small business development priorities within the regional concept of state regulation is to eliminate territorial and sectorial imbalance in the location of production facilities, to stimulate business activities in hard-to-reach areas with ample labor resources and the related high level of migration, and with unique peculiarities of separate factors or resources.

Considering the current situation, we propose a set of key principles to improve the system of small business management. These principles include maximum entrepreneurial freedom of legal entities and individuals; unlimited access for small businesses to government entrepreneurial support; sufficient interference of public authorities with the operation of small enterprises; tougher liability for illegal entrepreneurial activities; measures to ensure equal conditions for companies of all forms of ownership. In this connection, we suggest a logical scheme for adaptive management of small enterprises taking account of the interests of businesses (Figure 1).

This scheme demonstrates a complicated organizational economic system of interrelated economic, legal, organizational and social factors in dynamic conditions. We defined the Small Business Support Center as a priority link in the Management Mechanism module. Areas for small businesses to develop considering regional needs become clear in these conditions.
At the same time, one or another alternative management configuration is solidified in legal, financial, organizational, material and technical, and information spheres. Only after this is specified, it becomes possible to determine adequate situations to pursue the common policy of developing small entrepreneurship. In this case, the principle of sufficient state interference with the small business management system materializes. It concerns the following number of positions which are based on the logical connection of main points in national and regional economic interests. Firstly, this implies assistance for the development of small businesses to satisfy public needs for goods or services. Secondly, this concerns small business development in the industries that call for rational use of local mineral resources. Thirdly, this involves incentives for entrepreneurship development in the industries that make it possible to attain the highest possible degree of production efficiency. Fourthly, this means organization of non-financial services, especially to give advice and propose methods when selecting promising areas of entrepreneurial activities.

However, the form of state-regional small business management provides for such measures as to provide targeted assistance to accumulate startup capital; to issue low-interest loans to small enterprises that do business in the sectors which are of priority for regional development; to conduct a tender to pick small businesses that will be allowed to execute government orders; to insure credit facilities, to guarantee loan repayment to commercial banks; to establish regional infrastructure for small enterprises and create a small business support fund.

A major component of the system designed for state-regional management of small businesses is a program of measures that is set for long-, mid- and short-term periods. The long-term program will focus on the solution of strategic goals set by small enterprises, including the formation of a system to train managers to work in this area under the following
scheme: scientific developments for the solution of problems faced by small enterprises; regional higher education institutions; business innovation centers; and the area of small businesses. The mid-term program will make it possible to attain tactical targets, including through the establishment of regional private entities to support small businesses (a consulting center, a business information center and a business incubator). Regarding the short-term period, it is essential to define a set of measures, their deadlines and responsible bodies, sources of funds, and to stipulate specific economic, information, material and technical, educational and other services that small enterprises will be in need of.

The policy of intensive state-regional management of small businesses also provides for close interaction between authorities and small enterprises. This problem can be solved by creating current adaptive configurations. While the state-regional form has its own quite absorbed vertical, hierarchic structure, there are no structures of this kind for such dual interactions as “national economic interests – interests of small businesses” and “regional economic interests – economic interests of small businesses”. This, to a large extent, restrains any progress towards efficient management of small businesses.

We believe that the primary goal is “regional economic interests – economic interests of small businesses”. Examining this problem, we propose a common principle of building a special organizational economic structure on its basis. This system should be formed on the principle that the interests of various enterprises are corporate. In this case, new management structures should be private and established using various forms of ownership. Indeed, this fact will promote self-management in small businesses on an advanced organizational economic basis.

At the same time, we propose creating the Small Business Support Center in the region, and its major objective is to normalize relations between small enterprises and big businesses, financial institutions, regional governments and other structures of the regional economy. The purpose of this normalization is to make efficient use of integrated information to elaborate recommendations for small business development.

Structurally, we review the Small Business Support Center in the region as an integrated functional system. Its important feature is that information, which is accumulated in the center, can be processed in two ways. On the one hand, it will be processed to solve capital management problems and, on the other hand, to manage organizational development, i.e. consulting services can be rendered on an integral basis. Such an approach, in turn, makes it possible to develop relevant balanced programs and projects, and to ensure that well-thought-out and adaptive decisions are made to develop small enterprises in the region.

4. DISCUSSION
The reliability of the proposed approaches to the development of small businesses at the regional level is confirmed by the fact that small enterprises make it a priority to focus on the concentration of small capital, assistance in the development of regional conditions if reproduction processes gain momentum, the imbalance in small business development gets narrower and employment conditions improve [8, 9, 11].

In this regard, typical measures to gradually eliminate drawbacks and the imbalance by providing competitive conditions to execute small business projects can consist of several modules. The first module relates to the introduction of mechanisms to stimulate the region’s depressed areas and to reduction of their development gap. The second module should be comprised of measures to change the business focus of enterprises and to manufacture high-demand products. The third module is concerned with measures to encourage small enterprises
to participate in the execution of government and regional orders. The fourth module relates to the creation of an efficient competitive environment.

Moreover, small business development should stipulate the maximum combination of interests pursued by entrepreneurs in the region, efficient use of regional peculiarities in relation to the favorable geographical location and the potential of natural resources, concerted efforts to encourage small enterprises to reduce the unemployment rate and social tension in the region, permanent payments to federal and local budgets, measures to keep goods markets well supplied and to solve social problems.

It is necessary to create conditions to eliminate legal, economic and administrative barriers for people to exercise the right to be an entrepreneur. When compiling drafts and adopting regulatory acts local self-government bodies should adhere to the principles that aim to normalize statutory regulation of entrepreneurial activities. In this case, the aggregate of measures to ensure statutory legal conditions comprises a big number of positions. They can include statutory regulation that is adequate to the level of market relations, to draft proposals to improve effective laws and legal framework for entrepreneurship, to keep records of efficient introduction of regulatory acts, and to promptly react to their consequences, to ensure transparency when preparing draft regulatory acts that influence business environment.

5. CONCLUSIONS

To summarize the above, it can be noted that small business development at the regional level requires accumulation of internal and external investment, measures to improve the structure of sources of investment and to optimize areas for investment. These tools will be conducive to higher investor confidence and lower investment risks, intensive upgrade of fixed assets in small enterprises, development of a leasing system, the introduction of a more efficient system to insure investment risks by establishing state-controlled and private insurance companies, with foreign capital involved.

Moreover, measures to raise qualification of employees in small enterprises and to train the region’s unemployed to learn the basics of entrepreneurship should include the following: efforts to organize preparation and retraining of people who work for local authorities and representatives of small businesses to work in the conditions of the market economy; to develop training and methodic materials and aids on the basics of small business activities; to introduce a system that aims to give entrepreneurs advice on legal, tax, management and marketing issues, to assist entrepreneurs to compile business plans; to provide consultative and organizational support to small enterprises.

To keep small enterprises informed it is necessary to provide access to business information, to ensure the creation of a computer network for the base of resources, goods and investment offers, to solve the problem related to the public discussion of draft regulatory acts and to bring them to the attention of small businesses on time, to organize participation of entrepreneurs in international conferences, exhibitions, seminars and contests in order to exchange experience, to ensure the publication of information bulletins, guides, to make broad use of TV and media to promptly inform entrepreneurs, to encourage regional chambers of commerce and industry to cooperate.

The problem of creating the infrastructure to support small businesses is significant when it comes to small business development. Measures to solve this problem should be focused on the formation of conditions to provide financial, material and technical, information, technology, consulting and marketing support. A major duty fulfilled by infrastructure institutions is to assist businesses at the initial stage of business to overcome difficulties arising
from the lack of sufficient knowledge about the conduct of business, managerial experience, commercial information and access to credit.

REFERENCES


