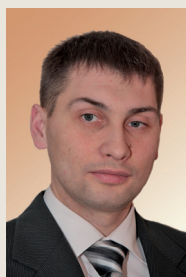


Goals and assistance to small entrepreneurship development mechanisms on the municipal level

The article gives an analysis of small business development level in the city of Vologda as well as its functioning conditions. The main problems in this sphere are marked out. The main directions of small business support on municipal authorities' side are offered.

Small entrepreneurship, small business, support.



**Konstantin A.
ZADUMKIN**

Ph.D in Economics, the Head of the Establishment Department of the Russian Academy of Science; the Vologda Scientific Coordination Center of the Russian Academy of Science



**Oleg V.
PODOLJAKIN**

The Junior Research Assistant of the Establishment Department of the Russian Academy of Science; the Vologda Scientific Coordination Center of the Russian Academy of Science

The level of the small business development considerably determines the economic and social situation in municipal formations, as any enterprise activity stabilizes economic conditions, reduces social concerns, raises tax incomes to the budget. Small business plays an important role in the spheres of trade, services, small-scale industry; it provides employment of the considerable part of the population [4].

Since January, 1, 2008 the Federal Law of the Russian Federation from 24.07.2007 № 209-FL “About the development of small-scale and medium-scale business in the Russian Federation” [13] has come into force. For the

first time this document introduces the concept of “the medium-scale enterprises”; also in it the new criteria for the enterprises of small-scale and medium-scale business are listed¹. The development and realization of concrete measures in the mentioned sphere is the responsibility of the regional and municipal authorities. According to Article № 11 of the FL № 209-FL, the powers of the local government on the issue of small-scale and medium-scale business activity involve:

— formation and realization of the municipal programs of small-scale and medium-scale business development;

¹ According to the law, small enterprises should have up to 100 persons; medium-scale ones should have from 100 to 250 persons. The profits from the realization of goods (services) without taking into account the TAC or the balance cost of actives for the previous calendar year should not exceed the following rates: at the micro enterprises 60 million rubles; at the small enterprises 400 million rubles; at the medium-scale enterprises 1 billion rubles.

- analysis of the financial, economic and social parameters of small-scale and medium-scale business functioning, and of the efficiency of the measures taken for its development;

- formation of the infrastructure for the support of small-scale and medium-scale business;

- assistance to the noncommercial organizations reflecting the interests of the subjects of small-scale and medium-scale business;

- formation of the coordination and advisory bodies in the field of small-scale and medium-scale business development [11].

Nowadays the necessity of the support of small business development is realized by administrations of each municipal formation in the Russian Federation, including Vologda. The key problem which should be solved for the small business growth is the determining of directions in sphere of supporting it. In the purpose of revealing the best variants of support it is necessary to start with the analysis of the small business development level and the conditions of its functioning. The basis of such analysis includes the statistical data and the results of the survey among businessmen².

As the statistical data show, in 2007 in Vologda 1658 enterprises of small business were functioning, that made more than one third of their total number in the Vologda area. During the last year the number of small enterprises in the city practically did not change: 1600 in 2006 and 1585 in 2005. In 2007 the ratio was 100 thousand inhabitants of Vologda to 565 small enterprises.

At the period from 2005 to 2007 the number of individual businessmen in the city was annually increasing (8,5 thousand people in 2005, 9,3 thousand people in 2006, 10,4 thousand people in 2007). The ratio was 100 thousand inhabitants to 3,5 thousand individual businessmen (in the Vologda area to 3,3 thousand; in the Russian Federation 2,4 thousand).

So, in 2005 – 2007 the increase of the number of small enterprises and individual businessmen in the city was not observed. Such situation can be explained by means of the following causes: those people, who wanted to become engaged in business, had already been engaged in it, and the existing conditions do not stimulate the population to be occupied by business. In 2005 – 2008 on the basis of the carried out surveys of the small enterprises' heads it was revealed, that businessmen did not consider suitable the following things [6]:

- a) the low availability of the ground areas and premises;

- б) the insufficient attention of the local governmental institutions to the problems of small business;

- b) the shortage of the qualified manpower;

- r) the lack of the opportunities of influencing businessmen's associations on the approving the administrative decisions concerning their activity (*tabl. 1*).

The businessmen of Vologda don't estimate the acting procedures of administrative regulation highly (*tabl. 2*). The special anxiety is caused by the bureaucratic delays and the ambiguity of interpretation of different instructions and resolutions.

Only a small part of businessmen (9%) is informed about the city administration activity on the issues of support of small business (29 more % are informed partly). More than a half of businessmen (55%) do not see any help from the direction of the local authorities in supporting and developing their activity.

However there is a potential of increase in the amount of subjects in the sphere of small business. According to the results of the survey which has been carried out by VSCC of the Russian Academy of Science in 2008, 16% of the inhabitants of Vologda, who are not businessmen yet, consider it possible for them to be engaged in business. Among the conditions

² Here are the results of the survey which has been carried out by VSCC CEMI of the Russian Academy of Science in 2005 – 2008 among the subjects of small business in Vologda are represented. In 2008 100 subjects of small business of city (in 2005 100 subjects, in 2006 111 subjects, in 2007 97 subjects) were questioned.

Table 1. Estimation of the conditions of small business development by businessmen, according to the 5-point scale*

The factor	Year			
	2005	2006	2007	2008
Availability of communication services	3,3	3,1	2,9	3,3
Availability of transport services	3,2	2,9	2,8	3,1
Availability of the consulting services on the marketing questions	2,6	2,9	2,8	3,1
Availability of the consulting services on the economic activities' questions	2,7	2,8	2,7	3,1
Availability of the municipal services	3,0	2,9	2,9	3,0
Availability of the consulting services on the management questions	2,7	2,9	2,7	3,0
Availability of the material resources	2,7	2,9	2,8	2,9
Availability of the fuel resources	2,8	2,8	2,8	2,9
Availability of the power resources	2,8	2,9	2,7	2,9
Opportunities of the formation of the necessary technical base	2,8	2,8	2,6	2,9
Safety of the activity conditions	2,4	2,8	2,6	2,9
Perfection of the system of the informational supply of businessmen's activity	2,7	2,7	2,7	2,8
Availability of the modern technologies "Know-how"	2,8	2,8	2,8	2,7
Attention to business from the direction of the regional authorities	2,5	2,7	2,5	2,6
Availability of premises	2,9	2,8	2,7	2,5
Opportunities of influencing public associations of businessmen on approving administrative decisions on their activity	2,5	2,5	2,5	2,5
Presence of the qualified manpower	2,7	2,8	2,7	2,4
Attention to business from the direction of the local governmental institutions	2,4	2,7	2,6	2,4
Availability of the ground areas	2,7	2,6	2,6	2,2

* The scale designations: 5 and 4 mean quite or nearly satisfactory; 3 means more likely satisfactory, than not; 2 and 1 mean unsatisfactory and extremely unsatisfactory.

Table 2. The most disturbing problems for businessmen in the procedures of the administrative regulation of small business, %

Category	Year			
	2005	2006	2007	2008
Bureaucratic delays	41,0	31,5	41,2	59,0
Ambiguity of the interpretation of instructions and resolutions	21,0	26,1	20,6	46,0
Excessive volume of bureaucratic work	31,0	23,4	25,8	43,0
Problems in the protection of the legitimate interests	21,0	21,6	10,3	36,0
Redundancy of supervising bodies	17,0	18,9	9,3	34,0
Unpredictability of the results of checks	8,0	18,0	8,2	26,0
Plentiful checks	13,0	15,3	5,2	25,0
Backlog of the normative documents from the real practice	23,0	29,7	16,5	24,0
Incompetent checking	14,0	21,6	4,1	20,0
Material costs, unreasonable penalties	15,0	13,5	10,3	18,0
Infringements of the legislation	17,0	16,2	9,3	14,0
Excess by the officials of their powers	9,0	7,2	4,1	13,0
Attempts of extortion	8,0	8,1	5,2	7,0

under which people could become engaged in business, are the presence of the financial support (25%); the simplification of the tax system (11%).

The analysis of conditions and tendencies of the small business development in Vologda allows noting two basic problems which should necessarily be solved: a) improvement of the current conditions for functioning small business subjects; b) involving in business those people who haven't been engaged in this sphere yet.

It is obvious, that the active policy directed on the small business development, is necessary. The special role here belongs to the municipal authorities.

Nowadays the municipal programs of the small business development are carried out in many cities of the Russian Federation such as Moscow, Saint-Petersburg, Rostov-upon-Don, Tula, Krasnodar, Vladivostok etc. Both the domestic and the foreign types of experience of small business support at the municipal level run that:

- the primary goals of municipality's actions in the field of the support of small business development are improvement of the current conditions for its functioning and stimulation of the population to become engaged in this kind of activity;

- the important point of enterprise activity stimulation of the population is a widely advanced infrastructure in the sphere of support of the small business [2, 3];

- the basic elements of the support of the small business development are the structures created due to the budgetary funds under the initiative of the local authorities (departments, councils, business-incubators, techno parks and so forth), and on the basis of the commercial (specialized consulting and news agencies), and public (associations of businessmen) organizations [1, 5, 6].

Taking into account all the mentioned things, we offer the following basic directions of support of the small business development at the municipal level in Vologda:

- ♦ perfection of the strategic and the tactical aspects of management of the small business development;

- ♦ elaboration of the analysis system for defining the level of the small business development and the efficiency of the measures taken for its support;

- ♦ reduction of the administrative barriers;

- ♦ perfection of the mechanisms of provisioning the small enterprises with necessary resources;

- ♦ development of the infrastructure elements for the support of the small business;

- ♦ increase of the enterprise activity prestige.

For each direction the aim on the support of the small business development is determined, its achievement is provided by the municipal authorities while solving specific problems. Let's characterize in details the above-stated directions.

Direction 1. Perfection of the strategic and the tactical aspects of management of the small business development.

The purpose is to provide systematic small business development in Vologda. Its realization is impossible without taking into account the strategy of the whole city development, and without the presence of the elaborated general plan.

Within the frameworks of this direction it is necessary to solve the following problems:

- development of the reference points, strategies and programs of the small business development in Vologda;

- development of the actions on the improvement of the conditions of the small business functioning;

- creation of the mechanisms for making the municipal authorities more interested in the small business development;

- increase of the efficiency of interaction between the municipal authorities and the subjects of small business.

Among the concrete mechanisms of the given direction we shall allocate the following ones.

► **Creation of the long-term strategy of the small business development in Vologda.** In this document it is necessary to determine the prospects of development and the basic directions of the support of business from the direction of the municipality. The strategy of the small business development should be logically connected to the strategy of the development of Vologda.

The experience of the concrete intermediate term programs on the support of the small business development has been obtained by the administration of Vologda since 2004. Now the Program of the development of the small-scale and medium-scale business subjects in the municipal formation “the city of Vologda” for 2009 – 2011 [11] comes into force. However, it is necessary to elaborate the strategic aspects of the support of the small business development.

► **Creation of the coordination council on the small business development in Vologda at the municipal level.** It is offered to include the representatives from the municipal authorities and from the subjects of small business into the initial structure of this council. It is possible further expansion of the council structure depending on the spectrum of the problems being solved by it. In our opinion, among the primary goals, should be mentioned the following ones:

- ◆ consideration of the matters connected to the mechanisms, forms, ways and directions of the local authorities’ activity on the support of small business;
- ◆ consideration of the proposals on modification and additions to the program of the small business development in Vologda;
- ◆ organization of interaction between the municipal authorities and the associations of businessmen;
- ◆ attraction of the business communities’ representatives of Vologda to the elaborations of measures on organizational, financial, material support to the subjects of small business;
- ◆ participation in the formation and the development of programs and mechanisms of support of small business in Vologda;

- ◆ public examination of the legal acts developed by the legislature of Vologda, concerning the interests of small business, and their further perfection.

The positive fact is that according to the Program of the development of the subjects of small-scale and medium-scale business in the municipal formation “the city of Vologda” for 2009 – 2011, in 2009 The Coordination council on the small-scale and medium-scale business development [9] has been created. The functions of this council are:

1. Development of the recommendations for the local government institutions on the matters of support of business in Vologda.

2. Interaction with the businessmen associations formed both on branch, and territorial factors.

3. Participation in the elaboration and the realization of the federal, regional and city programs on small-scale and medium-scale business development.

4. Attraction of businessmen, authority representatives, other persons for getting consultations, analysis and preparation of programs and projects of statutory acts.

5. Participation in the work of the local government institutions in Vologda on the matters of support the subjects of small-scale and medium-scale business and the organizations forming the infrastructure for the support of small-scale and medium-scale business.

6. Generalization of the businessmen opinion on the vital matters of their activity and passing the consolidated position of the business community on these matters to the local government institutions of Vologda.

Direction 2. Elaboration of the analysis system for defining the level of the small business development and the efficiency of the measures taken for its support.

The purpose is creating the opportunity for monitoring of the small business development in Vologda.

According to the given direction it is necessary to create the system of monitoring of **the small business development in Vologda and the analysis of the efficiency of the measures taken for its support**. For this purpose the following problems should be solved:

- perfection of the statistical account system of the small business enterprises and the parameters of their activity;
- elaboration of the financial, economic and social parameters and criteria for the estimation of the small business development level;
- elaboration of the parameters and the criteria for the estimation of the of realized programs and measures efficiency of the state support of the small business development;
- formation of the feedback mechanism with small business.

Solving the mentioned problems will promote the creation of the system of monitoring.

The organization of the mentioned system can be based on two basic elements, such as:

- ↻ the Territorial Department of the Federal Service of the State Statistics in Vologda region (gathering and generalization of the statistics on the small business subjects' activity);
- ↻ VSCC of the Russian Academy of Science (carrying out of the interrogations of businessmen in Vologda and the analysis of the efficiency of the measures taken for its support)³.

Direction 3. Reduction of the administrative barriers.

The purpose is to improve the conditions for the small business functioning in Vologda. Within the frameworks of the mentioned direction the following problems should be solved:

– development of the procedures and the algorithms of interaction between the small business and the administrative and supervising structures;

- development of the procedures of selling and buying ground areas and premises;
- perfection of the normative-legal base simplifying the procedures of registration, licensing of the enterprises, getting sanctions, reporting and taxation for businessmen;
- creation the conditions for elimination of corruption in the sphere of small business.

Solving the considered problems can be done by the Coordination Council on the small business development in Vologda.

Direction 4. Perfection of the mechanisms of provisioning the small enterprises with necessary resources.

The purpose is to improve the provisioning of the small business subjects in Vologda with necessary resources. The following problems should be solved:

- creation of the database of the investment projects developed by small enterprises, for their promotion and financing;
- perfection of the mechanisms of getting the financial support, preferential crediting and leasing by the small business subjects;
- development of the mechanisms of giving credit guarantees by the municipal authorities to the small business subjects⁴;
- provisioning of the availability of innovational technologies, the equipment and the materials for the small-scale enterprises;
- development of the mechanisms of granting⁵;

³ The role of VSCC of the Russian Academy of Science is that the mentioned center has an extensive database and experience of carrying out the researches concerning the business area. So, since 1997, VSCC has carries out annual questionnaires of the small business subjects in Vologda region, in Vologda and in Cherepovets.

⁴ Now on the basis of SE HE “Business-incubator” the mechanism of getting grants for the compensation of a part of expenses under credits by the small-scale and medium-scale business subjects operates. The maximal sum of grants to one borrower makes of 400 thousand rubles in the current year. However the mentioned measures are not enough for the financial support of the city small business development.

⁵ Now for businessmen there is an opportunity of getting the grant for their own business development in the sum up to 300 thousand rubles.

– perfection of the mechanisms of buying ground areas and premises by the small business subjects.

We offer the circuit of the investment promotion and innovational projects which realization will help to solve the mentioned problem⁶.

Direction 5. Development of the infrastructure elements for the support of the small business.

The purpose is to stimulate the development of small business, and to increase amount of the small enterprises in Vologda.

For the achievement of this purpose the following problems should be solved:

– perfection of the mechanisms of granting the ground areas in rent and the property to the small business subjects;

– improvement of the mechanisms of granting the information, transport and consulting services to the small business subjects;

– development of the system of subcontracting for the small business enterprises, the system of their participation in the government work;

– development of public associations and businessmen communities.

The city popular system of the informational and consulting services to the small business subjects and to the businessmen-beginners (by means of the Internet portal of the small business development in Vologda) will help to solve the mentioned problems.

The portal will solve such problems as:

♦ informational provisioning of the enterprise activity (statutory acts, opportunities and conditions of getting privileges and financial support);

♦ informing the small business subjects about the state and municipal orders for production and services⁷;

♦ operative consultation of businessmen on the key matters of their activity, including their addressing to the site of the Internet portal;

♦ informing the small business subjects about the accessible ground areas, premises;

♦ training on the basic directions of carrying out the enterprise activity;

♦ informing about the taken steps on the support of small business, announcements of the forthcoming events concerning the interests of the businessmen;

♦ expansion of relationships between businessmen, bodies of the municipal authority and other organizations;

♦ organization of inter-regional, international cooperation.

Direction 6. Increase of the enterprise activity prestige.

The purpose is to attract the population to be engaged in business.

For the achievement of this purpose the following problems should be solved⁸:

– creation of the positive image of businessman among the population of the city;

– increasing the interest of the population to business;

– organization of classes for those who would like to be engaged in business.

The considerable part of the measures on the support of small business mentioned earlier is already carried out in Vologda. However the creation or the perfection of the certain elements is required, among them are:

⁶ The Russian network of the technologies' transfer is the tool of the innovational infrastructure allowing to distribute the technological information and to carry out the search of partners for the realization of the innovational projects effectively. It is possible to get acquainted with the activity of the network on the site www.rtt.ru. The project Gate2Rubin is a project of participation of the Russian organizations in a business-innovational infrastructure in the European network of the support of business. The more detailed information can be found on the site www.gate2rubin.ru.

⁷ According to Item 15 of the Federal law №94-FL "About the accommodation of orders for the deliveries of goods, rendering services for the state and municipal needs" the state customers are obliged to place the orders to the small business subjects in size not less than 10 and no more than 20% of the general annual standard item of goods, works, services [10].

⁸ The solving of the mentioned problems will be fulfilled by means of the mentioned above Internet portal concerning the small business development in Vologda.

1. Elaboration of the long-term strategy of the small business development.

2. Perfection of the mechanism of the small business monitoring.

3. Elaboration and commissioning of the Internet portal on the small business development.

The stimulation of the municipal authorities' activity on the support of the small busi-

ness development in the offered directions will allow to solve, first, the problems designated above, second, to improve the conditions of the business functioning; thirdly, to stimulate the small business development and the occurrence of its new subjects in Vologda. If people have a wish to be involved in business, the number of businessmen in the city will increase, by our calculations, approximately in 30 thousand.

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