

Regional policy in the sphere of small and medium-sized businesses rights enforcement

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Abstract — The article deals with the matters of effectiveness of the regional policy in the sphere of small and medium-sized businesses' rights enforcement in the example of the Saratov Oblast. Objectives of the study: analysing regional policy in the sphere of small and medium-sized enterprises' rights enforcement and its influence on the improvement of the business climate in the federal subjects of the Russian Federation. Basic methods: normative method, sociological method, functional and comparative methods, systems analysis, economic and statistical methods. Results of the research: analysis of federal and regional policies in the sphere of small and medium-sized businesses subjects' rights enforcement' rights enforcement and the effectiveness of its implementation in the example of Saratov Region. Main findings: there is a need for a more coordinated in all directions and programmes approach to formulating and implementing the state policy regarding SMEs, providing integrated and sustainable development of all (rather than individual) regions of Russia, based on the innovative economic modernization and facilitating the improvement of small and medium-sized businesses support methods and procedures.

Keywords — regional policy, state support, small and medium business, Saratov region

I. INTRODUCTION

Effective development of entrepreneurship in Russia is one of the key objectives to ensure the economic growth of the country, increase the competitiveness and sustainability of the regions development. In world practice, small and medium entrepreneurship is considered as one of the essential elements of the market economy successful functioning. This segment of the economy is notable for high dynamism and ability to adaptively respond to the changes in population's demand for goods and services, to solve the employment problems, to support large enterprises through outsourcing, franchising, subcontracting and innovations. However, since the nature of the business relationship is largely characterized by uncertainty in achieving planned goals and results, small and medium business is the most vulnerable to the impacts of the macro environment and to the economic and social risks.

Currently, significant influence over entrepreneurship development processes is exerted by the unfriendly western

countries' impact and the imposition of economic sanctions.. Sharp slowdown in the purchasing power during the period of economic crisis, lack of accessible low-cost and long-term loans, significant tax load, frequency and groundlessness of enterprises inspections affected the production and sales level of goods and services provided by small and medium-sized enterprises (hereinafter referred to as SMEs), and, eventually, the possibility of carrying out their activities. These circumstances inevitably imply increased support and protection for small and medium-sized enterprises.

An important factor in this process is also an intelligent, balanced and well-designed legal policy of the state (considered as a set of goals and objectives, and as measures taken by the public authorities at the federal and regional levels, aimed at the realization of the constitutional right of the individual to the entrepreneurial activity).

Matters of studying the state policy in the sphere of economic development of Russian regions, small and medium enterprises were researched mainly in the writings of economists (E.M. Buchwald [1], V.M. Vazagov [2], A.L. Lazarenko [3], E.G. Russkova [4], etc.)

The purpose of the research is to study the regional policy in the sphere of small and medium-sized businesses rights enforcement (in the example of Saratov Region) and to evaluate its effectiveness and influence on the business climate's improvement in the region.

Objectives of the study are: analysing the legal regulation of public policy (federal and regional) in the area of small and medium-sized businesses development, identifying trends and components of the regional entrepreneurs' support infrastructure, analysing the effectiveness and the outcomes of the measures taken.

II. MATERIALS AND METHODS (MODEL)

The main methods of the study are the normative method, the sociological method; functional, comparative and systems analysis methods; economic and statistical methods.

The authors have analysed the legislation defining the state policy in the sphere of entrepreneurial development at the

federal and regional level, acts of controlling bodies on the implementation of the programmes; surveys of entrepreneurs on guarantees and protection of their rights; economic statistics of the Saratov Region in the sphere of economy and small and medium-sized businesses development.

III. RESULTS AND DISCUSSION

The term 'state regional policy' as a policy implemented by the Federal Government in the subjects of the Russian Federation ought to be distinguished from the term 'regional policy of the subjects of the Russian Federation' as a policy implemented by the subjects of the Federation [2].

Federal law dated 24 July 2007 on the Development of Small and Medium-Sized Enterprises in the Russian Federation (hereinafter referred to as the Law) defines the objectives, measures and principles of state policy in the area of SME development. Matters of public policy formation and implementation, according to the Law, refer to the competence of Russian federal authorities. As for the subjects of the Russian Federation, in accordance with article 10 of the Law, regional authorities are entitled only to participate in the implementation of the state policy and, consequently, do not hold the autonomous powers to form regional policy in the sphere of enforcing SMEs rights. At the same time, the referred authorities are entitled to develop and implement their own state programmes with due regard for ethnic and regional specificities and to issue the legislation in the sphere of their competence.

It is worth noting that current Russian state legal policy ensuring the SME development, in regards to the subjects of the Federation as well, might be considered as lacking enough effectiveness.

In 2014, the Government of the Russian Federation issued a regulation approving the State Programme of the Russian Federation on Economic Development and Innovative Economy, which defines the priorities and objectives of the state policy (including general requirements to the state policy towards the subjects of the Russian Federation) and rules for providing subsidies from the federal budget to the regions. One of the sections of this programme is a sub-programme named 'Small and medium enterprise development.' Among the priority measures aimed at creating a business enabling environment, there is reducing the tax burden on small business; lending on concessional terms and lowering the interest rates on loans; reducing the number of regulatory authorities inspections.

In 2016, the Government of the Russian Federation issued an executive order approving the Small and Medium Enterprises Development Strategy of the Russian Federation for the Period up to 2030, as a basis for formulating and implementing the relevant federal and regional programmes. This document states that several policy measures in the socio-economic sphere have not entirely ensured the interests of small and medium-sized enterprises, and their innovation and investment activity remains low. SMEs development across Russia is uneven: 10 subjects of the Russian Federation with the highest number of SME's entities contain about 46% of the total number of SME entities in Russia; the matter of small

and medium-sized enterprises access to financial resources stays unresolved, etc. That is, many of the activities of the regional SME policy specified in the Economic Development and Innovative Economy programme were practically acknowledged as ineffective.

Also, in 2016 Presidential Council for Strategic Development and National Projects approved the priority project 'Small Business and Support for Individual Entrepreneurial Initiatives'. Worth mentioning is also the Decree of the President of the Russian Federation dated 7 May 2018 on National Objectives and Strategic Tasks of the Development of the Russian Federation for the Period up to 2024, by which the Government of the Russian Federation was entrusted with developing and revising existing national projects (programs), including the direction 'Small and Medium-Sized Entrepreneurship and Individual Entrepreneurial Initiatives Support'.

It is important to note that these strategies and programme-like documents are issued by the various governmental bodies, so they do not often correspond to each other and differ both in terms of timing to achieve the objectives and the structure of the proposed activities, and in the assessment indicators and criteria, and are characterized by non-compliance with the principles of continuity in their formulation and implementation. These factors undoubtedly affect the effectiveness of implementing SME policy and might lead to the undermining of the goals and measures taken.

In particular, the panel of the Accounts Chamber of the Russian Federation, having considered the results of supervisory activities for the verification of the small and medium-sized enterprises support measures implementation in 2014-2017, indicated that SME sphere in Russia is characterized by the growth of the enterprises (4 531 thousand on January 1, 2015; 5 992 thousand on December 10, 2017); however, for six years, the number of people employed by SMEs fell by 3.2 million jobs, though the informal employment increased [5]. Also, the analysis performed by the Accounts Chamber of the Russian Federation indicated that in 2015-2017 the number of credits to SMEs reduced. All target indicators for the small and medium-sized businesses in 2017 were significantly reduced compared to the level of 2014. Targets for one of the main indicators of the Economic Development and Innovative Economy State Programme - the number of new jobs in the SME sector - decreased from 108 thousand (2014) to 25 thousand (2017), which suggests that the implementation of the state program has no significant impact on ensuring employment in the SME area. The established order of distributing the subsidies from the federal budget does not contribute to the creation of equal conditions for the development of SMEs in the regions. Thus, in 2014-2016 more than 20% of the federal budget funds allocated to the SMEs support were sent to 5 out of the 85 regions. In 2017, about 40% of subsidies were sent to 11 regions which received more than 200 million roubles each, while 8 regions received less than 0.7%. At the same time, Russia's regions do not possess full information on options to derive support for small and medium-sized businesses from various sources [6].

In our opinion, in this case, the constitutional principle of the equality of all subjects in the relationship with the federal state authorities is violated (part 4 of the article 5 of the Constitution of the Russian Federation). The existing system of state support is not entirely transparent and is low efficient. It is essential that these inconsistencies were taken into account by the Government of the Russian Federation and the Russian Ministry of Economic Development within the further strategic planning and reformatting the state programs, also in relation with the implementation of the new National Project 'Small and Medium-Sized Business and Support for Individual Entrepreneurial Initiatives'.

How do entrepreneurs themselves evaluate the implemented policy and supportive measures? In the annex to the report of Russia's Presidential Commissioner for Entrepreneurs' Rights in 2018 (according to the VCIOM survey) as the main factors exerting constraining influence on the functioning of business, as before, were named (on a scale of 1 to 5): the uncertainty of the economic situation (4.0), high levels of taxation (4.0), declining demand in the domestic market (3.8), the quality of legislative regulation of the economy (3.7), high energy prices (3.7), a high commercial credit rates (3.5), rouble value (3.5). At the same time, the absence of a clear economic program of the Government was considered as a negative factor (3.6 points). The effectiveness of the measures taken by the Government of the Russian Federation to resume economic growth was rated: as a very effective - 2%, rather effective - 23%, rather ineffective - 42%, very ineffective - 27% of respondents. Thus, the situation, according to entrepreneurs, had not improved significantly comparing to the previous periods. Nevertheless, about half of entrepreneurs (45%) believes that in the next three years they will evolve. The following measures to revive the economic growth of entrepreneurship are named as priority ones: raising the level and quality of peoples' life (3.8 out of 4.0); tax reform stimulating economic growth (3.6 points); limiting the tariffs for services of infrastructure and commodity monopolies (3.5 points); long-term and affordable credit for economy (3.4 points) [7].

As for the Saratov region, it should be emphasised that this region is one of the largest in Russia. Saratov Oblast territory is 101.2 thousand square kilometres. The population of the Saratov region is more than 2.5 million people; however, its density is quite low and is about 26 people per 1 square kilometre, so it creates some difficulties in the socio-economic development of the region (transportation and logistics costs, depopulation of individual administrative districts, etc.).

Economic indicators of the Saratov region in 2017 testify overcoming, to a certain degree, the consequences of the 2014-2015 crisis and some growth in the region's economy: gross regional product grew by 2.1% and amounted to 698.5 billion roubles at year-end 2017; tax and non-tax revenues of the consolidated budget of the region amounted to 76.6 billion roubles with the growth by 7.3% compared to the previous year [8].

In order to implement and support the small and medium-sized businesses, the authorities issued a number of regulations: the Law dated 03.12.2009 No 201-ZSO (revised

on 26.10.2017) on the Development of Small and Medium-Sized Enterprises in the Saratov Region', a number of laws: on Property Support for Small Business Entities (No 132-ZSO dated 30.03.2009), on State Support for Technology Parks in the Saratov Region (No 201-ZSO dated 25.11.2013) on Tax Benefits, on the Patent System of Taxation (No 167-ZSO dated 13.11.2012, No 152-ZSO from 25.11.2015), etc., Regulation of the Government of the Saratov region dated March 27, 2014 on Implementing the Sub-Programme 'Development of Small and Medium-Sized Enterprises in the Saratov region' and the state programme 'Development of the Saratov Region's Economic Potential and Increase of Investment Attractiveness of the Region up to 2020'.

Among the noteworthy, there is 'Reference on the small and medium enterprises state support', prepared by the Ministry of Economic Development [9], providing concerted information about primary directions and sources of public support to SMEs in the Saratov region in 2018. Entrepreneurs objectively need this kind of information due to the wide variety of sources and types of state support. The Ministry of Economic Development of the Saratov Region practice of organising the offsite seminars on mechanisms to support entrepreneurship in the region is also to be treated as positive, as far as the SMEs happen to be unaware of those [10].

In 2017, 102.9 million roubles of budgetary funds were appropriated to the measures of state support for SMEs [11].

It should be noted that measures of state support and SMEs rights enforcement improve the dynamics of the sector development in the region and increase its impact on ensuring balanced economic development of the subject of the Russian Federation in general.

Analysis of the status of small and medium-sized entrepreneurship in the Saratov oblast at year-end 2017 shows growth comparing to 2016: number of SME entities - by 1.6% (74899 units), the average number of employees in SME entity - by 1.5% (239454 people), sales turnover growth - by 6.6% (653,3 billion roubles), and revenues from the SMEs of the region under the special taxation treatment - from 3.4 billion roubles in 2012 to 4.9 billion roubles in 2017. As of SME entities number, Saratov oblast holds the six place (6.7%) out of the 15 in the Volga Federal District (on the first place there is Tatarstan - about 15%) [11]. At the beginning of 2019, the number of SMEs in the region also rose by 0.5% and amounted to 75272 entities [12].

Herewith, according to the outcomes of socio-economic development of the Saratov region in 2018, the index of industrial production increased by 2% compared to 2017, the volume of goods of own manufacturing - by 11.4%, the amount of investments in capital assets - by 0.7%, retail trade turnover - by 5.1% (there are 59.6% of small enterprises involved in wholesale and retail trade), the average monthly salary - by 8.4%. [13].

However, the situation in the sphere of ensuring the right to entrepreneurship in the region is yet far from ideal. In general, in the ideology and practice of the state policy towards the small and medium-sized businesses (SMEs), the prevailing and dominating principles are inalterable ones of

public aid, preferential treatment, establishing quotas as opposed to objectives of strategic nature related to the policy of modernization and reindustrialisation, as E.M. Buchwald rightly observes [1]. But the level of the state support of entrepreneurs in the regions in quantitative terms is quite low. For instance, on April 10, 2018, there are 3534 farm enterprises registered in the Saratov region. In 2017, 25 farm enterprises received the governmental grants. In 2018, there were 85 filed applications, but 60 novice farmers were not qualified to receive state support grants; their applications were rejected for one reason or another [14]. We believe that the measures taken are not sufficient for further stable development of the small and medium-sized businesses sector in the region; there are still matters to be addressed, such as lending the SMEs entities at a reduced rate, widening their access to financial resources, preferential taxation. Besides, support measures effectiveness might be to a large extent diminished by the increase in energy prices and other material costs, by overall inflation rates and a drop in demand for goods and services.

IV. CONCLUSION

To summarise, we ascertain that there is a need for a more coordinated in all directions and programmes approach to formulating and implementing the state policy regarding SMEs, providing integrated and sustainable development of all (rather than individual) regions of Russia; based on the innovative economic modernization as well, and facilitating the improvement of small and medium-sized businesses support methods and procedures. Important role in this process belongs to assessing the effectiveness of the measures taken, their actual impact and their impact on the positive dynamics of the region's economy, as well as to analysing the reasons for not achieving the objectives prior stated in the policy documents (for example, this section does not appear in the Reports of the Government of the Saratov region).

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