

Business Support Infrastructure at the Regional Level

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Abstract. In order to ensure the recovery of the Russian economy, it is necessary to effectively use all the factors and resources of economic growth, including the resource of entrepreneurship. The state, its federal and regional authorities are responsible for creating favorable economic, political, social and legal conditions for the formation of such an economic mechanism that would promote the development of innovative entrepreneurship, reproduction processes of the entrepreneurial type and sustainability of the entire economic system.

The unfavorable economic conditions in which the development of innovative entrepreneurship is taking place are largely due to the problems associated with underdeveloped mechanisms for the implementation of laws and other regulatory acts governing business development at the regional level. This circumstance greatly complicates and even makes impossible the direct use of models for the development and support of innovative entrepreneurship that are successfully implemented in a number of developed countries.

The purpose of creating an appropriate infrastructure to support business development is to ensure both integrated innovation activities and the preservation and development of the scientific and technological potential of the region and the country in the public interest, including overcoming the decline in production, its restructuring and diversification of goods and services.

The business support infrastructure is designed to provide additional opportunities for business entities and help to overcome specific problems that objectively arise for them, for startups in particular.

1. Introduction

The current conditions of macroeconomic instability in the country lead not only to the aggravation of urgent problems, but also create a number of new obstacles in the functioning of domestic enterprises which are most sensitive to negative fluctuations.

A number of factors greatly complicate the activities of enterprises and limit their ability to sustain economic development; among these factors are reduced purchasing power of the population in the domestic market, the emergence of additional export restrictions caused by political and economic misunderstandings at the intergovernmental level, currency exchange rate fluctuations, depreciation of the national currency, exacerbation of the problem of loss and insolvency of enterprises as well as a more complex procedure in accessing credit funds and their increasing cost.

In such conditions, the state has a coordinating role in overcoming the crisis situations that accompany business development and in determining the strategic guidelines for economic growth.

The government initiates creating favorable conditions for business entities so that they could form and implement competitive advantages, which, above all, requires creating appropriate infrastructure basis for the implementation of the promising transformations in this area.

2. Purpose of the research

Foreign scientists (P. Rosenstein-Rodan and P. Drucker) as well as domestic researchers (A. Amosha, A. Blinov, A. Govorin, S. Varnaliy, L. Kostina, I. Kolot, V. Prokhorov, M. Savchenko, V. Savchuk and M. Yudenko) pay much attention to the study of various aspects of the functioning of business infrastructure in the conditions of economic development.

In particular, approaches to the notion of infrastructure (institutional, market, marketing and logistics approaches), its separate levels (federal, regional and local) and main foci (finance, investment, innovation, information, legal framework, foreign economy, etc.) are explored; many researchers analyze the influence of governmental and non-governmental support and of public and business associations committed to the development of favorable business environment in the country and regions. Creating an effective business infrastructure is seen as a top priority in stimulating business and reducing transaction costs for doing business. Practice at the regional level indicates insufficient development and inefficient functioning of infrastructure, and, therefore, requires additional research.

3. Background

At the present stage, an emphasis in the development of the economy of the Russian Federation is put on the development of business activity. The development of entrepreneurship assumed particular importance as the economic sanctions were imposed on Russia in 2014. Those sanctions affected the strategic areas of Russia's economy, specifically, oil production, defense and heavy industry, banking sector and transport. The key consequence of the sanctions was the fact that many business relations were suspended, frozen or severed; cooperation with many developed countries on large and economically and socially significant projects was stopped [1].

In this regard, a significant part of responsibility for the development of the economy rests with small and medium-sized businesses. At the same time, in modern conditions, the business finds itself in a rather difficult situation that hinders its development (for instance, hindered access to finance – nonavailability of easy credits, difficulties with registration and licensing, numerous inspections by regulatory authorities, etc.). Counterbalancing these factors is possible with the development of infrastructure in order to provide business activities in various aspects, which, therefore, is possible due to the introduction of state regulation and state support mechanisms [2].

In general, institutional support of any field of activity is a combination of state and non-state institutions that ensure the availability of legal, organizational and economic conditions necessary for the facilitation and implementation of this activity [3].

Scientists note that in modern geopolitical conditions the role of state institutions in regulating social, financial and economic dynamics in the national macroeconomic environment has changed rather dramatically.

In the conditions of the international aggressive environment, state institutions are challenged with new priorities due to the need for their adequate productive performance in order to solve the tasks of social and economic development of the national environment under the influence of globalization of world space economy [4].

Thus, in their study [5], the group of authors defines the infrastructure for business support as a kind of musculoskeletal system, through which a specific organizational and economic environment is formed in order to promote entrepreneurship and provide for the rapid adaptation of small businesses to market conditions.

M. G. Pivovarov identifies the concept of business infrastructure support as a set of state and public institutions (organizations, establishments and associations) that serve the interests of business entities, ensure their business activities and contribute to their effectiveness. The author singles out the follow-

ing components of the business infrastructure support: institutional; organizational and informational; financial and credit infrastructure [6].

D. A. Antonyuk defines the institutional type of business infrastructure as institutions, methods and means of ensuring effective business activity focused on minimizing the transaction costs of the system [7].

Thus, the business support infrastructure is a complex phenomenon that can be viewed as a system of economic, social, political and other factors that are necessary for business entities (individual entrepreneurs and legal entities) in order to start and implement business activities.

In practice, the business support infrastructure is a complex of existing or emerging organizations that provide a system of conditions for the operation of private entrepreneurship, which includes assisting entrepreneurs in organizing their business, providing legal information, engineering, marketing, management and supporting the entrepreneurs with material, technical, financial and other resources on a commercial basis [8; 9].

4. Focus of the research

The main components of the infrastructure providing for the business activity are as follows [9; 10]:

- investment activity (increasing the investment attractiveness of entrepreneurship);
- government support, both legal and financial;
- the system of legal norms that regulate the activities of entrepreneurs;
- the system of market regulation mechanisms aimed at improving the competitiveness of small and medium-sized enterprises.

The purpose of creating an appropriate business support infrastructure is to ensure integrated innovation activities and the preservation and development of the scientific and technological potential of the region and the country in the public interest, including overcoming the decline in production, its restructuring, diversification of goods and services.

In accordance with the purpose, the business support infrastructure includes a set of such interrelated systems:

- information support system which gives access to databases and data banks for all business structures, regardless of ownership;
- expert appraisal (including state appraisal) of innovation and investment programs, projects, proposals and applications;
- financial and economic support for business activities funded from different sources (funds of business organizations, foreign investments, investment funds, etc.);
- certification of the products and relevant services in the field of metrology, standardization and quality control;
- promotion of innovations on regional, interregional and global markets via exhibitions, advertising, marketing activities, patent and licensing work as well as protection of intellectual property;
- training executive staff and business teams for business entities and further development of systems for training and teaching the population (including the unemployed) the fundamentals of entrepreneurship.

The process of developing infrastructure support for entrepreneurship in the region affects the interests of three main groups of subjects of public relations interacting within the regional space: the population; entrepreneurs; regional authorities and local self-government.

For all these entities, this process is associated with a number of advantages as well as possible disadvantages, or risks.

While forming and developing the business support infrastructure at the regional level, the following points should be accounted for:

- correspondence of the development of infrastructure facilities to the level of entrepreneurship development both in the region as a whole and its municipal units;
- complex nature of the proposed infrastructure facilities (according to the ‘under one roof’ or ‘one window’ principles); concentration of various services at the municipal level (consulting, educa-

tional, informational and financial services) within one infrastructure facility as opposed to the dispersion of resources when creating several structures duplicating one another;

- presence of a definitive system of administrative structural units that affect the conditions for the development of entrepreneurship in the region;
- efficiency of infrastructure facilities in order to ensure effectiveness in achieving the goals and objectives of entrepreneurship development;
- consistency of the economic interaction between the state, the region and non-governmental organizations in order to ensure the interests of entrepreneurs.

The formation of an extensive infrastructure to support small and medium-sized businesses is a crucial factor for the development of entrepreneurial activity in the Russian Federation, whose effectiveness contributes to the investment potential of the regions, attracting domestic and foreign investments and using advanced technologies [11].

In addition, the business support infrastructure is designed to provide additional opportunities for business entities and help to overcome specific problems that objectively arise for them, particularly for new entrepreneurs. The following kinds of business support infrastructure can be identified: the institutional infrastructure; financial and credit infrastructure; organizational and technical infrastructure and information infrastructure.

5. Solutions, results and recommendations

The key tool in the existing business support system is the program of the Ministry of Economic Development of the Russian Federation that regulates the distribution of federal budget funds according to their intended purpose among the regions for the further implementation of measures to support entrepreneurs, provided there is co-funding from the regional budgets. This approach is aimed at encouraging regions to implement an active policy in the field of SME (small and medium-sized enterprises) support [12].

As of 2017, the funding allowed for the network of regional organizations of business support infrastructure for SMEs all over the country which comprised 700 competence centers providing service packages for enterprises at different stages of business development. Among them there were 83 guarantee institutions, 183 microfinance organizations, 66 centers of business support, 22 centers of social innovation, 54 centers coordinating support for export-oriented SMEs, 4 centers of folk arts and crafts, 143 business incubators, 25 industrial parks and technology parks, 121 organizations supporting SMEs in innovation and industrial production. Since 2015, the number of infrastructure facilities increased by 12% (by the end of 2015, 625 centers operated in the country; by the end of 2016 there were 677 centers).

In order to provide for better funding, the program additionally creates microfinance organizations and regional guarantee institutions. The list of the activities implemented under the program of the Ministry of Economic Development of the Russian Federation is determined taking into account the priorities of state policy and the conducted analysis of the effectiveness of financial support measures for business entities as well as via designing a service model providing support for business entities.

In terms of the overall development of the business infrastructure in Russia, several areas show high development indices. Among them are the Central Federal District and the Southern Federal District. These territories stand out among the others as they have the largest number of infrastructure facilities supporting business activities.

In each region, over the period of three years, a basic business support infrastructure should be formed, including an enterprise support center, a guarantee fund, a microfinance organization, a property support infrastructure for startups and established businesses as well as competence centers in the area of innovation and production. Currently, this list has been completed in 31 subjects of the Russian Federation.

It is reasonable to assess the degree of the business infrastructure development according to the level of its economic security.

These rates show the number of infrastructure elements per 1000 enterprises in the region. Thus, the crude rate of economic security in terms of the availability of the business infrastructure elements should be calculated as follows:

$$Crude\ Res = (N_{infr.el}/N_{ent})1000 \tag{1}$$

The next step is calculating the rate of economic security in terms of availability of separate infrastructure elements, for instance, in regards to associations of entrepreneurs:

$$Res = (N_{assn.entr.infr.el}/N_{ent})1000 \tag{2}$$

Where $N_{infr.el}$ is the number of business infrastructure elements; N_{ent} is a number of business entities;

$N_{assn.entr.infr.el}$ is a number of associations of entrepreneurs among the business infrastructure elements.

The rate of economic security is calculated for all the elements of the business infrastructure: associations of entrepreneurs, financial and credit institutions, investment and innovation funds and companies, stock exchanges, information and consulting institutions, insurance and auditing companies.

The regions can be divided into segments according to the level of infrastructure development:

- high level of business infrastructure development (there is a completed core list of facilities);
- medium level of business infrastructure development (1 or 2 facilities are missing from the core list);
- low level of business infrastructure development (more than 3 facilities are missing from the core list).

The cartographic results of the analysis are shown in Figure 1.

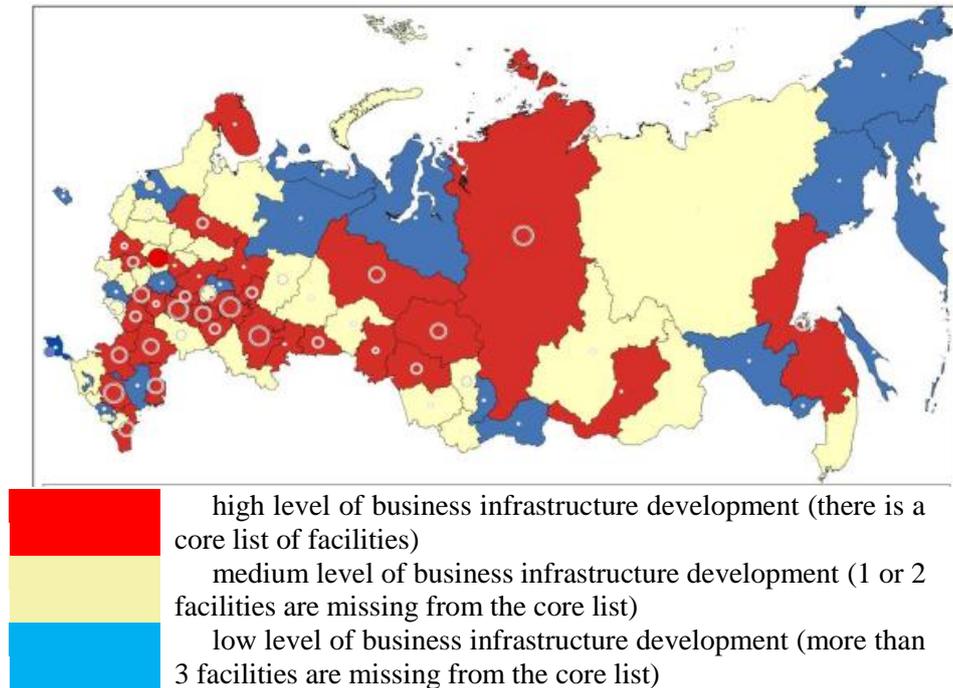


Figure 1. Distribution of the infrastructure facilities involved in the business support in the regions of Russia in 2017-2018 (composed by the authors, based on [12]).

Systematization of the information on the development of business infrastructure in the regions of Russia, as well as the results of this research, made it possible to formulate the issues of the infrastructure operation (Table 1).

Table 1. Issues of infrastructure operation according to levels (composed by the authors, based on [13]).

Issues	Level	
	National	Regional
Institutional	inferior institutional framework of the business infrastructure	
	nonavailability of the integrated support system for exporters	
Financial	lack of unified classification and terminology for separate elements of infrastructure	
	inefficiency of the governmental lack of adequate resource support for business infrastructure	
Organizational	lack of coordination between separate elements at all levels of business infrastructure	
	the focus is generally on small business; less frequently – on medium-sized and large business	the most urgent needs of local entrepreneurs are not taken into account
		many initiatives and programs offered by the institutions and organizations do not correspond to the real practical needs of the entrepreneurs and often duplicate
Information	many infrastructure facilities are not available or are in the blue-	
	poor awareness of the entrepreneurs in terms of means and tools of governmental support	lack of awareness in terms of available infrastructure support facilities in the regions
Human Resources	underdeveloped and inefficient system of professional retraining of entrepreneurs and officials	

government officials, initiators and facilitators having vague understanding of specifics, functions and differences between different kinds of infrastructure

The institutional issues are the core ones. The second group of development issues is associated with insufficient financial support from the state and private investors. As for the first one, it can be easily explained since this area of business development requires considerable financial expenses and, moreover, one should not expect a short-term result from state programs funding; whereas private investors are not interested in investing resources due to the lack of economic stability in Russia [14-17]. Lack of coordination between the separate components at all levels of the business infrastructure is the most important barrier in terms of organizational problems. Regional projects are built on the principles of state programs and due to their implementation, but do not form a complex hierarchical system. Although the initiated decentralization processes should contribute to the transfer of strategic programming to the regional level, it is still necessary to coordinate enhancement and monitoring of efficiency at the state level [18-20].

Poor informing about the activities of infrastructure facilities is another restraining factor in the infrastructure development. This also applies to the inadequate staffing and the ineffective system of professional retraining, both of state officials and entrepreneurs.

6. Conclusions

Having analyzed the identified trends and issues, it may be concluded that improvement of regional business infrastructure requires focusing on the following activities:

1. Strategic programming of an extensive and coordinated network of business infrastructure facilities. At the regional level, it is necessary to develop and adopt the concepts, strategies and programs providing for the business infrastructure development.
2. Funding and appropriate material and logistic support for individual pilot projects focusing on creation of infrastructure facilities through private investments, state financing or financing on the basis of public-private partnership.
3. Active participation of business associations, public organizations and other associations of entrepreneurs in the committees and panels established and working together with the executive authorities.
4. Allocation of land and premises for private infrastructure facilities.
5. Establishing special infrastructure providing services for venture capital financing, managing functions of business connected with risks and insurance services.

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