

State Mechanism for Supporting Small and Medium-Sized Entrepreneurship in Terms of New Industrialization

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Abstract - The Article contains the analysis of the state of development and the system of state support for small and medium-sized businesses in the Sverdlovsk Region in modern conditions. The state legal mechanism for stimulating small business in the context of new industrialization is considered. The directions of the state policy for the development of small and medium-sized businesses are designated, the goals of the state mechanism for supporting small and medium-sized businesses in the Sverdlovsk Region are defined, among which decisive are the determination of the vector of activities of government bodies to support small and medium-sized businesses, the development of a system of protection and promotion of small and medium business, strengthening its position in government and the business community, state support for small innovative businesses, promote the development of industrial and innovative infrastructure, elimination of administrative barriers, the fight against corruption.

Keywords – new industrialization, state legal mechanism, stimulation of small and medium business, infrastructure, goals of the state mechanism

I. INTRODUCTION

The global trend not only in our country, but throughout the world in recent years has become a new industrialization. It was caused by a number of reasons, connected primarily with the need, despite the transition to the post-industrial stage of development of modern society, the development of the sphere of material production. Finding ways to grow national economies, combat unemployment, reduce the budget deficit, lead to the understanding that the post-industrial economy cannot act as a reliable source of economic development, a base is needed in the form of material production with traditional employment, which forms the demand for innovative products and provides dynamic economic development.

In our country, new industrialization is also seen as a tool for recovery in Russia on a new technical basis of industrial production after the deep recession of the 1990s, which was accompanied by large-scale deindustrialization.

Despite the innovative path of development proclaimed in the early 2000s, the economic model of

Russia is deeply oriented towards raw materials. Meanwhile, as shown by years of research, the development of industry and manufacturing sectors of the economy, the economic model of Russia has the greatest multiplier effect on the development of the entire economic system. Modern high-tech industrial production creates demand for highly skilled labor and contributes to the creation of new jobs, and the creation of one workplace in industry contributes to the creation of 0.5-2 jobs in other sectors of the economy, and each ruble invested in the manufacturing industry or engineering, increases GDP at RUB 1.5.

The problems of structural policy and the search for ways of economic growth of the national economy, necessitating a new industrialization, are aggravated by the weak development of the small and medium-sized business sector, which in developed economies provides up to 70% of GDP, such as in the EU and up to 80% of employment in Japan and China. For the United States, these figures are, respectively, 50% and 55%. In our country, the performance indicators of the small and medium business sector do not exceed 10% of GDP and 20% of employment.

The effectiveness of the development of small and medium-sized businesses in any country depends on the coherence of interests of entrepreneurs and government. In this regard, there is a need to structure the interests of the state and business, identify the priorities of state support and the subsequent coherence to achieve a common goal – ensuring economic growth and welfare of society.

The main sources of state revenues are taxes and fees. State support for the development of entrepreneurship provides for the expansion of the taxable base of the economy. In addition, by providing direct and indirect support for the development of small and medium-sized businesses in the context of new industrialization, it reduces unemployment by increasing the number of self-employed citizens who are involved in this area of the national economy.

Based on these two statements, it becomes clear that the state is directly interested in developing

entrepreneurship, creating a favorable institutional environment for its development.

Therefore, the relevance of the topic of the article is due to the need to support small and medium-sized businesses in the new industrialization.

II. LITERATURE REVIEW

The problem of state support for small and medium-sized businesses in the context of new industrialization is widely highlighted in the works of Russian economists. For example, in the works of Yu. K. Bazhenov, A. Yu. Bazhenov [1] it is noted that "... small and medium-sized businesses make a significant contribution to the development of a competitive environment. Such a business is a serious competitor to large monopolistic enterprises, as it often deals with narrow specializations and uses modern technologies, which is extremely important in the context of government stimulation of the innovative development of the economy and transferring the national economic model to the mainstream of industrialization.

V.D. Gribov notes: "The role of small and medium-sized businesses is manifested in the fact that the development of such a business supports healthy competition and contributes to improving the competitiveness of goods and services. Thanks to small and medium businesses, the economy acquires the necessary flexibility, as it is rapidly responding to the emergence of new customer needs and new market niches. Small and medium-sized businesses are playing the most significant role at present by providing additional employment for the population" [2].

III. RESEARCH METHODOLOGY

New industrialization implies both the active development of the branches of the new economy and the re-equipment of the "old" (basic) branches on the new technological platform. Moreover, these processes should cover not only traditionally innovatively active sectors of the economy, in which large business is involved, but also small and medium-sized businesses, where the level of competition is much higher.

Sverdlovsk Region is one of the most successfully developing regions of the country and belongs to the top ten regions of the Russian Federation in terms of the main socio-economic indicators.

Figure 1 shows the distribution of small and medium-sized enterprises of the Sverdlovsk Region in the context of industries and territories.

Based on the data presented, it can be concluded that the largest number of small and medium enterprises is concentrated in the city of Yekaterinburg. In the cities of the Sverdlovsk Region, the number of small and medium enterprises is much smaller.

The economy of the region is predominantly industrial in nature.

According to the General Director magazine for 2017, the Sverdlovsk Region is ranked fifth in the list of the most attractive for business regions of the Russian Federation. The regions were estimated by such parameters as, the dynamics of economic growth, infrastructure, taxes, labor, and the demand for everyday and long-term goods [7].

The economic stability of the region creates an attractive image for domestic and foreign investors, being also one of the most reliable regions for investments.

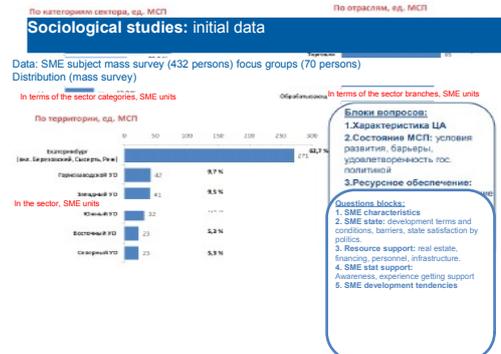


Fig. 1 – Distribution of small and medium-sized enterprises of the Sverdlovsk Region by industry and territory [6]

To support small and medium-sized businesses in the Sverdlovsk Region, the Regional Target Program "Development of small and medium-sized businesses in the Sverdlovsk Region"

Analysis of the turnover of small and medium-sized businesses in the Sverdlovsk Region in January-June 2018 is presented in Figure 2. This indicator shows that for small and medium-sized businesses the most attractive trade is wholesale and retail, repair of motor vehicles and motorcycles, manufacturing, construction, real estate operations, as well as transportation and storage.

Activities and special programs aimed at supporting small and medium-sized businesses in this program include:

1. Modernization of production. Subsidies for partial reimbursement of costs associated with the acquisition of equipment for the creation / development / modernization of production. The maximum amount of the subsidy is 10 million rubles, but not more than 50% of the incurred costs.

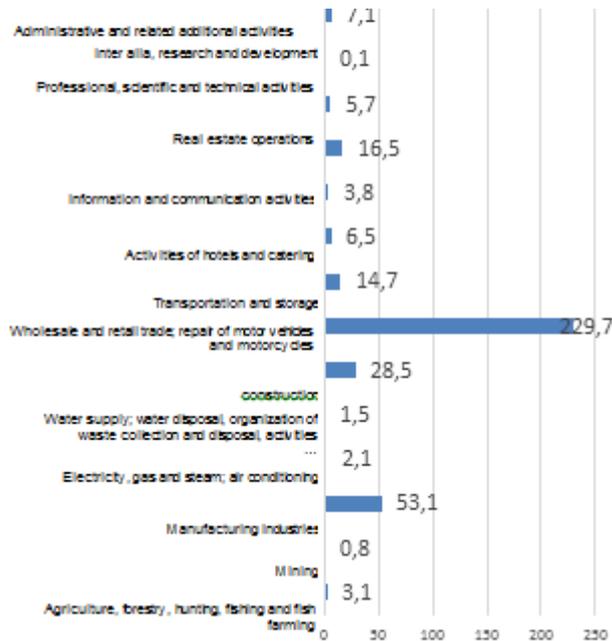


Fig. 2 – Turnover of small and medium-sized businesses by economic activity, billion rubles [11]

2. Leasing. Subsidies for partial reimbursement of costs associated with the payment of the first installment under the lease agreement.

3. Creation of innovative production. Subsidies for start-up small innovative companies for reimbursement of expenses related to starting a business. The size of the subsidy does not exceed 500 thousand rubles. The time from the date of registration is less than 1 year [4].

4. Support innovative companies. Subsidies to existing innovative companies to compensate for the costs associated with the process of production and sale of goods and services. The total amount of the subsidy does not exceed 15 million rubles, and make up no more than 75% of the total amount of expenses incurred [5].

5. Grants for creating your own business – up to RUB 300 thousand. The life of the company from the date of registration is less than 1 year [7].

6. Subsidies for reimbursement of expenses related to the organization of groups of daytime activities for children of preschool age and other activities related to the supervision and care of children. The maximum subsidy is 1 million rubles [6].

7. Subsidies to enterprises operating in the field of crafts, folk arts and crafts, environmental and rural tourism. The size of the subsidy does not exceed RUB 700 thousand and should not be more than 70% of the amount of expenses incurred [7].

8. Preferential loans.

9. Microfinance. For start-up entrepreneurs operating in the retail trade or in the production of a short cycle;

10. Improving energy efficiency. Subsidies for reimbursement of costs associated with carrying out activities aimed at improving the energy efficiency of production in the amount of up to RUB 3 million [6].

Technological connection. Subsidies for reimbursement of costs associated with the execution of works on technological connection to the power grids. The amount of payment – up to RUB 1 million [5].

11. Export support. For enterprises producing / selling goods or services for further export.

Under the Regional Target Program “Development of small and medium-sized businesses in the Sverdlovsk Region”, it is planned to allocate RUB 470.8 million by the end of 2018 from the regional and federal budget.

It should be noted that in the regional budget for this purpose it is planned this year to be RUB 13.7 million more than in 2017 [6].

In addition to budgetary resources, in 2018, funds from the Guarantee Fund, the Fund for Preferential Loans, the Microfinance Fund, which are administered by the Regional Entrepreneurship Support Fund, were allocated for financial assistance to small businesses.

In terms of the number of small and medium-sized businesses, the Sverdlovsk Region ranks fifth in the Russian Federation. According to the rating of investment attractiveness of the Russian regions in the direction of “Support for small business”, which was held in 2018, the region is a leading region and is included in group A.

Adhering to the provisions of the Strategy for Socio-Economic Development of the Urals Federal District for the Period up to 2020, small and medium businesses are considered as one of the main tools for achieving the strategic goal – raising the level and quality of life of the population. As a basis for its achievement, there is the effective use of human and innovation and investment potentials, ensuring sustainable development and competitiveness of the Sverdlovsk Region [10].

The government of the Sverdlovsk Region has set up an appropriate mechanism for supporting small and medium-sized businesses – 43 funds for state support of entrepreneurship (regional, municipal), two export centers and nine business incubators.

Among the organizations of the infrastructure of the state mechanism for the development of small and medium-sized businesses is the largest Sverdlovsk Regional Fund for the Support of Entrepreneurship (FFPP), non-financial support in the form of training activities, consultations, trainings and seminars [6, 7].

Small and medium-sized businesses that carry out priority activities are provided with state financial support through the provision of subsidies.

The priority activities in the field of small and medium enterprises should include [4]: the provision of road transport services for the transport of passengers by road; repair of motor vehicles; wholesale and retail trade;

production of construction products; production and processing of agricultural products; industrial production; craft activities.

Despite substantial state support for small and medium-sized enterprises, which form in their activities the innovative component of economic development, innovative entrepreneurship in this sector of the economy remains unattractive due to the long payback periods of innovative projects and high risks.

IV. PRACTICAL SIGNIFICANCE, SUGGESTIONS AND RESULTS OF INTRODUCTIONS, RESULTS OF EXPERIMENTAL RESEARCHES

In view of the foregoing, the main objectives of the state mechanism in the field of support for small and medium-sized businesses in the Sverdlovsk Region in the context of new industrialization should be:

- determination of the vector of activities of state authorities in supporting SMEs, developing a system for protecting and promoting the interests of small and medium-sized businesses, strengthening the position of SMEs in government and the business community;
- involvement of the representatives of small and medium-sized businesses to participate in the procedures for evaluating the regulatory impact of draft regulatory acts;
- formation of the consolidating platform that ensures the representation and protection of the interests of small and medium-sized businesses;
- active support for small innovative enterprises, promoting the development of industrial and innovative infrastructure;
- elimination of administrative barriers, anti-corruption;
- increasing the share of active and interested entrepreneurs who regularly participate in SME support events, disseminating entrepreneurial initiatives;
- promotion of business practices in the area of expanding the interaction of public authorities with small and medium-sized businesses.

V. CONCLUSION

The aforementioned measures will improve the efficiency of the state mechanism for promoting the development of small and medium-sized businesses in the context of new industrialization.

VI. DISCUSSION OF THE RESULTS

The results obtained in the course of the study can be used to make corrective changes in the Regional Target Program "Development of small and medium-sized businesses in the Sverdlovsk Region", "Strategy of Socio-Economic Development of the Ural Federal District for the period up to 2020".

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